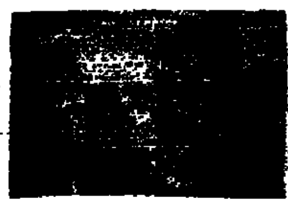

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY DECEMBER 20 1994 — D8523A

N Korea rejects US request for talks on pilot

North Korea yesterday refused a US request for an early meeting to discuss the return of a US pilot and the body of his co-pilot, who was killed when their army helicopter came down in North Korea on Saturday. The rejection appeared to dash hopes that Pyongyang would try to resolve the incident swiftly, but US president Bill Clinton said he was giving the issue "high priority". Page 16

Caesars World, owner of Caesars Palace in Las Vegas and one of the biggest names in gaming, has been bought for $1.7bn by ITT, the US conglomerate that has been expanding into the leisure industry. Page 17

Soap war hits Unilever: Anglo-Dutch group Unilever is shifting the time of its boardroom succession amid evidence that its Persil and Omo Power detergents have failed to achieve their targets. Page 16

Talks continue despite bomb: Irish republicans resumed political talks with British officials in spite of the discovery of a bomb in Enniskillen, Northern Ireland. The Irish Republican Army denied planting the device, which was defused by the British army. Page 8

Bulgarian socialists win decisive majority:

Bulgaria's Socialist party, the successors to the Communists, won a decisive victory and a clear majority in parliament after Sunday's parliamentary elections, according to preliminary results based on 95 per cent of votes cast. BSP leader Zhan Videnov (left), who is expected to become prime minister, said he would try to form a broad coalition, but other parties have so far ruled out any alliance with the former communists. Page 2

Japan plans spending cuts: Japan's finance ministry proposed a national budget that would cut spending for the first time for 40 years. Finance minister Masayoshi Takemura unveiled a fiscal 1995 draft budget totalling Y70.99 trillion ($710bn), down from the Y73.08 trillion for the current year. BoJ chief targets bad loans, Page 3

London court backs BCCI deal: London's High Court approved a $1.8bn compensation deal agreed between Abu Dhabi and liquidators and creditors of the collapse Bank of Credit and Commerce International. Two further approvals are needed before the package can be distributed.

Albania rations electricity: A drought in the river system which supplies most of Albania's hydro power has forced the government to ration electricity. Local commissions are to decide how to administer the 50 per cent power ration.

Iran holds former bank chief: Iranian authorities have arrested Asghar Kashan, a former deputy governor of the central bank. He is accused of having had "certain foreign connections" during his time at the bank.

Handling of young killers questioned: The European Human Rights Commission said Britain's indefinite jailing of young murderers breached their right to a court review of their detention. The ruling could affect the futures of Robert Thompson and Jon Venables, who are being held for at least 15 years for killing James Bulger in 1993.

Plan for fifth Heathrow terminal: BAA, Britain's airport operator, detailed its case for building a fifth terminal at London's main international airport. It said failure to develop Heathrow would drive business overseas. Page 6

Algeria suspends newspaper: Algeria suspended a fifth newspaper in six weeks, accusing it of manipulation over a report of promised presidential polls. Algeria says more than 10,000 people have been killed in violence which erupted after the cancellation in January 1992 of a general election which fundamentalists were poised to win.

Ten held in anti-ETA swoop: Spanish civil guards arrested 10 people and seized weapons and explosives in an operation against Basque ETA terrorists in the northern region of Navarre.

Poachers sentenced to death: A Chinese court sentenced two policemen and three civilians to death for killing 16 elephants for their tusks in south-western Yunnan province.

Swimmer seasick: Frenchman Guy Delage, attempting the first solo swim across the Atlantic, has been slowed down by seasickness.

STOCK MARKET INDICES

FT-SE 100:	3,034.4	(+20.8)
Yield	4.24	
FT-SE Eurotrack 100	1,332.17	(+2.52)
FT-SE-A All-Share	1,505.86	(+0.7%)
Nikkei	19,270.85	(+107.42)
New York lunchtime:		
Dow Jones Ind Ave	3,785.99	(-21.20)
S&P Composite	456.99	(-1.81)

US LUNCHTIME RATES

Federal Funds:	$5\frac{7}{16}$%
3-mo Treas Bills: Yld	5.704%
Long Bond	$95\frac{11}{32}$
Yield	7.845%

LONDON MONEY

3-mo Interbank	$6\frac{3}{8}$%	(Same)
Liffe long gilt future:	Mar $102\frac{5}{16}$	(Mar $102\frac{3}{8}$)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$15.985	(15.805)

GOLD

New York Comex (Feb)	$381.7	(381.1)
London	$379.3	(380.8)

STERLING

New York lunchtime:		
$	1.5698	
London:		
$	1.5613	(1.563)
DM	2.4571	(2.4561)
FFr	8.4733	(8.4637)
SFr	2.0814	(2.0762)
Y	156.367	(156.535)
£ Index	80.4	(Same)

DOLLAR

New York lunchtime:		
DM	1.57295	
FFr	5.42225	
SFr	1.331	
Y	100.1	
London:		
DM	1.5738	(1.5714)
FFr	5.4272	(5.415)
SFr	1.3332	(1.3283)
Y	100.155	(100.15)
$ Index	63.5	(63.4)
Tokyo close Y 100.36		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Major stands firm over Conservative Euro-rebels

By Philip Stephens, Political Editor, in London

Mr John Major, the UK prime minister, said yesterday that he would make peace with the rebels in the ruling Conservative party over Europe only on his own terms, as he issued a strong appeal for party unity.

Rejecting calls from the right wing of his party for a speedy reconciliation, the prime minister said it would be months before he would consider lifting the suspension from the parliamentary party of nine Eurosceptic MPs. In an interview with the Financial Times, Mr Major said it would be "unwise" to rule out a referendum either after the European Union's 1996 intergovernmental conference or on the issue of a single currency.

But he did not envisage the 1996 conference leading to a further institutional upheaval in the Union, adding: "I do not expect to come back with anything that would justify a referendum."

Mr Major suggested there would be a stronger case for a referendum on a single European currency but said there was no possibility of economic and monetary union in 1997 and only a small chance of it in 1999.

In a wide-ranging review of the political and economic outlook, Mr Major played down speculation that the government might legislate to prevent large increases in boardroom salaries. Some of the recent increases in directors' pay had been "insensitive" but there were serious obstacles to legislation.

The prime minister also dismissed the calls from some Tory MPs and ministers for early and large tax cuts to improve the government's standing in the opinion polls.

He said he was "100 per cent" behind Mr Kenneth Clarke, the chancellor of the exchequer, in his insistence that taxes would be reduced only when the economy could afford it.

Speaking in Downing Street, his official residence, at the end of a year that has seen his premiership repeatedly under fire as the opposition Labour party's lead has soared in the opinion polls, the Mr Major dismissed the sniping from Tory backbenchers.

Stressing his commitment to sustained economic recovery, peace in Northern Ireland and a radical overhaul of public services, he said he did not believe "that it is the loudest voice that carries furthest; it is often the still voice that lasts right the way through the storm".

Mr Major issued another strong call for unity in the Tory party to allow the government to reap the rewards of the economic upturn. It would be "folly running off the Richter scale" if the Conservatives threw away the opportunity of "the best economic recovery in living memory".

But Mr Major was absolutely clear that the nine Tory MPs suspended since last month's rebellion over the European Union budget would not be re-admitted unless they demonstrated their support for the government.

Ready to ride out the storm, Page 15

Russians prepare for final battle in Chechnya

Yeltsin wins backing for 'elimination' of rebel groups

By John Lloyd in Moscow

Fighting intensified yesterday around the Chechen capital of Grozny, and there seemed little doubt that Russia has committed its troops to a final battle with Chechen forces.

Russian soldiers were still holding back from an assault on Grozny itself, but the conflict, which threatens the stability of the Russian government, was entering a new phase in the rebel Caucasian republic.

Early yesterday, Russian jets tried to knock out the TV tower in Grozny. According to Chechen officials, they also failed in an attempt to bomb Chechen president Dzhokar Dudayev's residence.

Support for a decisive military campaign came from a meeting of Russian ministers and senior parliamentarians in Moscow. Interfax news agency reported that the meeting had decided to "eliminate" illegal groups, and that the flight of much of the civilian population from Grozny and surrounding areas had helped "the actions of the Russian armed forces".

The meeting blamed General Dudayev for refusing to negotiate, although Mr Leonid Smiryagin, an adviser to Mr Boris Yeltsin, the Russian president, said talks were still possible.

When the centre does not hold ______ Page 14

However, he said that the Chechen leader would have to come to Mozdok, the main Russian base near the Chechen border – an invitation Gen Dudayev has so far rejected.

Mr Smiryagin hinted at the justification for a Russian advance on Grozny: "So far, there is hope that Dudayev maintains some kind of order in the city. If it fades, reports will start to come about looting of the population and anarchy, and the federal authorities will have no way out other than to storm the city."

Yesterday's fighting was concentrated around the settlements of Dolinskoye, 20 miles from the capital, and Petropavlovsk, six miles north-east of Grozny. Reporters said many houses in the Dolinskoye were destroyed or in flames.

Opposition in Russia to the war

Continued on Page 16

Former US president Jimmy Carter (left) greets Bosnian Serb leader Radovan Karadzic yesterday before their talks in the Bosnian Serb stronghold of Pale. Carter is visiting the former Yugoslavian republic in an effort to break the deadlock in the peace negotiations. Clinton administration officials have emphasised that his mission is private and 'not a US government project' Picture: Associated Press

European ministers concerned over treatment of Kurdish minority

Delay for Turkey's EU trade pact

By Emma Tucker in Brussels

Turkey's hopes of sealing a customs pact with the European Union looked certain to be delayed after EU ministers last night raised concerns over human rights abuses against the country's Kurdish minority and Greece opposed a deal.

The customs union, which would open the European market to Turkey and bring its trading system into line with the EU's, is now unlikely to be signed until early next year.

It is understood that Greece will not drop its opposition to the pact until a date has been set for the start of negotiations to bring Cyprus into the EU. This is expected next year, after the EU observer on Cyprus has reported on progress made in talks between the divided island's Greek and Turkish communities.

In a separate development at the meeting in Brussels yesterday, foreign ministers gave their final approval to the Uruguay Round trade accord and the legislation required to implement it.

The 12 agreed to send the necessary papers – which will be formally signed on Thursday – to Geneva on December 30, by which time all member states should have ratified the package. France, Spain, Portugal, Belgium and Greece have still not completed ratification, but senior Commission officials are confident all the documents will reach Geneva by December 30.

During the meeting – the last foreign affairs council to be held under the German presidency – EU ministers told their Turkish counterpart, Mr Murat Karayalcin, that they were concerned about the treatment of Turkey's Kurdish population, in particular the decision earlier this month to jail eight Kurdish MPs.

However, they stressed that

Continued on Page 16
EU fisheries talks, Page 2

Minmetals threatens debt suit against Lehman Bros

By Louise Lucas in Hong Kong and Richard Waters in New York

China National Metals & Minerals Import and Export Corporation (Minmetals), one of the three Chinese trading companies being sued by US investment bank Lehman Brothers over alleged unpaid debts, is threatening to sue the bank over alleged improper and unfair business practices.

In an unusually aggressive move for a Chinese company, Mr Cao Yongfang, president of company subsidiary Minmetals International Non-Ferrous Metals Trading Corp, said the Hong Kong arm of a US law firm had been asked to prepare a suit. "We have instructed our attorneys to investigate all aspects of Lehman's dealings with our companies in order to pursue counterclaims based upon what we believe were Lehman Brothers' improper and unfair marketing, trading and investment advisory services," he said.

Lehman last month launched a suit in New York against Minmetals, China United Petroleum Chemicals (Unipec) and China National Metals and Minerals Import and Export (CNM) for allegedly failing to pay a total of nearly $100m in debts arising from foreign exchange and swaps trading.

Minmetal's counterclaims could top by "tens of millions" of dollars the $52.5m, plus interest, which Lehman claims the company owes it, according to Minmetal's lawyers.

Lehman yesterday dismissed the allegations as "absolutely ridiculous and untrue. Just how ridiculous will become clear as the lawsuit unfolds."

Turning the tables on a case which some bankers saw as a hardening of attitude by western financiers over unpaid Chinese debts, Minmetals' lawyers claim Lehman "lured a young and inexperienced employee" into making trades which he was not authorised to conduct.

Kaye Scholer Fierman Hays & Handler, the law firm acting for Minmetals, claims this single employee – who was 31 when he first started conducting foreign exchange trades through an offshore bank account set up at Lehman Brothers – was granted a higher trading limit than that accorded to the Bank of China.

In spite of his youth and inexperience, however, Minmetals Non-Ferrous entrusted the employee with sole responsibility for conducting authorised physical and futures trades of metals out of London on its behalf.

Mr Franklin Chu, the partner in charge of Kaye Scholer's Asia Practice based in Hong Kong, compared Lehman's business practices unfavourably with those of Bankers Trust, the US bank which is facing two lawsuits over derivatives sold to Gibson Greetings, the US greetings card company, and Procter & Gamble.

Minmetal Non-Ferrous foreign exchange trades, according to Kaye Scholer, were conducted over two years. Permission to carry out such trades had already been explicitly refused by Minmetal Non-Ferrous's president.

As time went on, the lawyers allege, Lehman "lured this young employee with progressively more inappropriate trades".

A Lehman executive claimed senior executives at Minmetals were fully aware of the trading that was going on. Last year, the same trader had made a profit of $29m from the same strategy.

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Bulgarian Socialists to seek coalition

Decisive election win raises hopes for economic reform

The Bulgarian Socialist party won a decisive victory in Sunday's parliamentary elections, preliminary results show, writes Theodor Troev in Sofia. Calculations based on 95 per cent of the vote give the BSP, the successors to the Communist party, 43.5 per cent support and an outright majority of more than 120 seats in the 240-seat chamber.

Mr Zhan Videnov, BSP leader, who is expected to become prime minister, said he would try to form a broad coalition government. However, other parties have so far ruled out co-operation with the former communists.

The last election in October 1991 was won by the Union of Democratic Forces, a broad anti-communist alliance, but it fell from office after losing a vote of no-confidence in October 1992.

A non-party government of technocrats took over, led by Mr Lyuben Berov and supported in parliament by BSP votes and a collection of breakaway parties from the UDF.

On Sunday the UDF won only about 24 per cent of the vote and 69 seats, compared with 34 per cent support and 110 seats in 1991. At that election the BSP won 33 per cent of the vote and 106 seats.

Under Bulgaria's electoral rules, only parties which gain more than 4 per cent support win representation in parliament. In Sunday's turnout of more than 75 per cent, the Popular Union attracted more than 6 per cent of the vote, the ethnic Turk Movement for Rights and Freedom (MRF) won more than 5 per cent, and the Bulgarian Business Block took just under 5 per cent.

Monarchist parties failed to gain entry to parliament, as did the Democratic Alternative for the Republic, a small coalition of centre-left parties.

Both the UDF and the MRF have appealed to the anti-communist forces to combine their efforts to become an alternative to the Socialists.

Bulgaria now has an opportunity for stable government by a Socialist party which is internally divided but which is likely to be dominated by pragmatic reformers who accept the need for a market economy and privatisation.

In this Bulgaria is following a pattern established elsewhere in central Europe, where pragmatic wings of Socialist parties in Poland, Hungary and Lithuania have gained the upper hand following electoral victories.

However, unlike these countries, where economic reforms are well advanced, Bulgaria has a long way to go.

A report by the International Monetary Fund's representative in Sofia revealed last week that Bulgaria is expected to have the highest rate of inflation and the lowest real economic growth in eastern Europe next year.

According to the report, the reasons for this disappointing outcome are the long delays in implementing necessary structural reforms, combined with mistakes in macro-economic policy.

EU strives to settle fishing row with Spain

By David Gardner in Brussels

European Union expansion from 12 to 15 nation-states from January 1 was still at risk last night, as the EU struggled to agree the terms of Spain's full integration into the Union's Common Fisheries Policy (CFP).

EU fisheries ministers were meeting in Brussels in an effort to put flesh on the bones of the tacit agreement brokered by the current German presidency of the EU at last week's summit of European leaders in Essen.

But differences over details of Spanish access to waters west of the UK and Ireland, and over control mechanisms on over-fishing of diminishing stocks, were still far from being resolved, EU negotiators said. The Spanish government has said it will not complete ratification of enlargement – set to bring Austria, Sweden, and Finland into the Union in January – unless the CFP issue is settled.

Spain and Portugal were promised in March that they would be fully integrated into the CFP by January 1996 – six years ahead of the date agreed in 1986 when the Iberian countries became member states.

All member states agreed that if new member states were to get full rights then restrictions on the Spanish fleet – the EU's largest – could no longer be justified.

Last spring's enlargement talks were in great part dominated by Spain's objections to allowing Norway to gain EU entry on terms far better than those offered to the Iberians. Norway is one of Europe's leading fishing powers, but, in the event, its people voted against membership.

But Spain insists that a political deal was struck in March, and its parliament has told the Madrid government not to formalise ratification unless it is now delivered.

At Essen, Chancellor Helmut Kohl and Spanish prime minister Felipe González are understood to have reached an agreement whereby there would be no discrimination against Spanish fishing vessels. Translating this into practice is, however, running up against a barrier of national interests.

The UK and Ireland want to keep the Spanish fleet as far as possible out of the waters west of their two countries – the so-called "Irish Box" which Spanish fishermen traditionally know as the "Gran Sol" – while France also wants to restrict Spanish access in the Bay of Biscay, a traditional tuna and anchovy ground for Spain's northern fleet.

Spain is currently subject to restrictions which allow 150 out of a list of 300 vessels into the Irish box at any one time. In a hardline document delivered to yesterday's meeting, Spain made clear it would not tolerate any restrictions which are not simultaneously applied to other EU fishing vessels.

Serbian President Slobodan Milosevic (left) and Andreas Papandreou, Greece's premier, after a meeting in Athens yesterday AP

Carter pushes Bosnian Serb offer

By Paul Adams in Pale, Laura Silber in Belgrade and agencies

Mr Jimmy Carter, the US peace mediator, yesterday announced that the Bosnian Serbs had agreed an immediate ceasefire. He said after talks with their leader, Mr Radovan Karadzic, that they were willing to discuss the international peace plan.

Before the meeting in Pale, the Bosnian Serb capital, the former US president had walked into controversy when he said that Bosnian Serbs wanted peace and that Americans "have primarily heard one side of the story": that the Bosnian Serbs were the aggressors.

The White House, which has been sceptical of Mr Carter's latest peace foray and has emphasised that it is not an official mission, immediately disputed his assertion about which side was the aggressor. "The Bosnian Serbs are the aggressors in this war," a White House spokeswoman said. "I think the American people have had an opportunity to see what's happening on the ground there and to see both sides of the story."

Mr Carter said after several hours of talks with Mr Karadzic, who had invited him to undertake his mission, that he would return to Sarajevo to put the ceasefire proposal to the Moslem-led Bosnian government. Mr Carter said: "The Bosnian Serb side agreed to an immediate ceasefire and to negotiate a lasting cessation of hostilities. While a ceasefire is in place, Bosnian Serb leaders agree to discuss peace on the basis of the contact group plan at a mutually acceptable site."

Mr Carter, said he had informed the White House of the outcome of his meeting.

There was also controversy over whether the Bosnian Serbs had fulfilled the pledges they gave to Mr Carter before he agreed to meet them. Since Mr Karadzic issued his promises last week, Serb forces have attacked peacekeepers and civilian targets in Sarajevo, blocked UN convoys and expelled more civilians from Serb-held territory, UN officials reported.

The Bosnian-Serbs say publicly they have limited expectations from Mr Carter's visit. But officials hint privately that the leadership in Pale may be close to accepting a revised version of peace proposals first presented by the five-member contact group in the summer. The original plan, they believe, called on the Bosnian Serbs to withdraw from territory before negotiations on complex issues such as agreed land swaps and links between the Bosnian Serbs and what remains of Yugoslavia.

"The contact group plan has been changed," an official said. The latest version makes it clear that only a ceasefire and verbal commitment are needed before negotiations begin.

The official said that what the Serbs wanted was "near to independence. We are not looking for a seat at the UN. Our idea is to unite with Serbia". Unity would not preclude close economic and administrative ties with the rest of Bosnia, he said.

His remarks appeared at variance with the frequent public insistence that only full, internationally recognised sovereignty would satisfy the Bosnian-Serbs.

Berlusconi hit by ministers' threat to resign

By Robert Graham in Rome

The Italian government was further undermined yesterday by the prospect of ministers from the populist Northern League resigning in advance of tomorrow's no-confidence vote in parliament.

At least three of the five League ministers said they preferred to resign their portfolios before voting against the right-wing coalition of which they formed part.

Mr Giancarlo Pagliarini, the finance minister, went further and became the first minister to criticise openly Mr Silvio Berlusconi, the Italian premier, by claiming "he lacked the ability to run the government".

But Mr Berlusconi still received support yesterday – albeit lukewarm – from Mr Roberto Maroni, the interior minister and the most influential League figure in the cabinet.

Within the movement, backers of Mr Umberto Bossi, the League leader, were gathering signatures from deputies to check those willing to vote against the government. Another group was collecting the names of those among the 105 deputies who would either abstain or vote for Mr Berlusconi.

Mr Bossi has tested the loyalty of a sizeable number of deputies by turning towards the former communist Party of the Democratic Left (PDS) as a potential ally.

Others are concerned that since their election was due to strong backing from Mr Berlusconi's Forza Italia movement, they cannot easily break this link without betraying the electorate.

However, the League is aware that the government has little chance of survival and that all options should be held open.

Apart from Mr Pagliarini, the two other ministers willing to resign are Mr Francesco Speroni, in charge of institutional reform, and Mr Vito Gnutti, industry minister. Mr Pagliarini justified his support for Mr Bossi by saying the government had failed to fulfil its objectives and that he had been left to operate in a vacuum.

The stance of the League will be crucial for the eight-month-old government in the three no-confidence motions due to be debated on consecutive days from tomorrow.

Mr Bossi needs about 50 deputies to remain loyal to ensure the downfall of the government. He has sponsored one no-confidence motion in tandem with the Popular party (PPI) of Mr Rocco Buttiglione as part of what he says is a new Liberal Democrat axis.

Tension will heighten as the government and opposition seek to drum up support and organise street demonstrations.

The financial markets registered their concern over the increasing instability by forcing the lira to fall close to yet another psychological barrier – L1,050 to the D-Mark.

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Balladur in fresh offensive on jobs

By David Buchan in Paris

Mr Edouard Balladur, French prime minister, yesterday proposed to cut sickness insurance charges for lower-paid workers, in another move to encourage hiring by French employers and to reduce the country's high unemployment.

The proposal, made in Le Monde newspaper, comes amid other signs that the debate between Gaullist contenders for the presidency is lurching to the left, on to political terrain left vacant by Mr Jacques Delors' refusal to be the Socialist candidate.

Mr Balladur has already shifted some of the burden of family allowance charges from companies to the state budget. But despite public pressure from the Bank of France to close the public deficit, he now proposes making the same switch for sickness insurance charges.

Reducing such charges on lower-paid workers would cost the state FFr13bn ($2.53bn), and a total of FFr60bn if extended to all employees, Mr Balladur said.

In his broad-ranging article, he said he would use France's presidency of the European Union which starts next month to propose to the EU's 15 members a convention on employment, social security protection and vocational training.

The swing to the left is being led by Mr Jacques Chirac who launched his first big campaign rally in Lyons last week with an attack on the country's conservative rulers.

In another sign of France's shifting political landscape, pro-Chirac deputies joined the socialist and communist opposition yesterday to pass a resolution urging the government not to agree to a new international code against direct subsidies to shipbuilders. However, the government appears committed to joining the rest of the EU in approving the code.

Bundesbank holds the key to festive mood

By Andrew Fisher in Frankfurt

As Christmas approaches, the Bundesbank is making those who analyse its every action wait a little before they can relax into festive mood.

First, they will have to digest all the German central bank has to offer this week in the way of economic analysis, monetary performance and policy targets.

Among economists, a debate is raging as to whether the German central bank will start raising official interest rates soon, wait until late next year or beyond, or manage one more reduction in the present economic cycle. They are hoping for clues when the Bundesbank announces its 1995 money supply target on Thursday. Most economists expect gradual rises in rates from the second half of next year; a cut at this stage would unsettle bond markets.

Yesterday, the bank offered some seasonal cheer with its monthly report. This highlighted the strength of the economic upturn, welcomed the fall in the public sector deficit - expected to decrease by some DM20bn (£8.1bn) this year to around DM115bn - and said west German inflation could decline to below 2.5 per cent early next year.

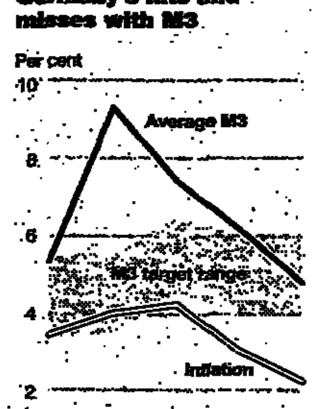
Figures are also expected shortly showing that growth in M3, the broad monetary aggregate, eased further to an annualised rate of just over 6 per cent in November. This would still leave M3 slightly above the 1994 target range of between 4 and 6 per cent, but mark the continuation of a huge improvement on the overblown growth rates in the first half of the year.

At Thursday's meeting, therefore, the consensus is that the target level for 1995 will be roughly the same.

But beyond that, economists' opinions diverge sharply. The Bundesbank has calmed markets by holding open all possibilities.

"The hope that something could come in the way of rate cuts has never been taken from the market," noted Mr Hermann Remsperger, chief economist at BHF-Bank in Frankfurt. The last reduction in official rates was in May, when the discount and Lombard rates were cut by half a percentage point each to 4.5 and 6 per cent respectively.

Germany's hits and misses with M3



Source: Bundesbank & Dresdner Bank

Then, the aim was to slow the alarming acceleration in M3 growth by encouraging investors to move funds from short-term deposits to longer term instruments. "Looking back on 1994," added Mr Remsperger, "I would say the Bundesbank's experiment of using rate cuts to brake money supply growth has succeeded."

Ms Alison Cottrell, London-based economist at Kidder Peabody of the US, also believes the Bundesbank is trying to keep markets happy.

"They want to keep the hope of rate cuts alive all the time. That's the reason they're not cutting." Nor does she see any pressing reason for further reductions now. She expects renewed tightening in late summer or autumn next year.

Neither she nor Mr Remsperger totally exclude the possibility of a cut early next year, though.

Among those arguing strongly for such a move is Dresdner Bank. "There remains a good chance that the Bundesbank will cut the discount rate once again," the bank's research arm said. Admitting its view was controversial, it cited the improving monetary and inflation situation (including the prospect of moderate wage deals).

Taking the opposite view is Goldman Sachs, the US investment bank. Its Frankfurt-based economists have criticised the Bundesbank's rate cuts and what they call its "liberal interpretation" of the monetary target in 1994.

Thus they see the need for "a moderate increase in official interest rates in the course of 1995".

Mr Remsperger sees the truth as lying someway between the two. For him, the importance of Thursday's meeting will be more in what the Bundesbank says about M3 performance and targets than in the actual figures. "An unchanged M3 goal will send the message that the Bundesbank takes account of the overshooting of the target and intends to correct this."

Although the link between M3 and future inflation is not always clear, some economists feel the Bundesbank should tighten policy early as a precaution against any speeding up of inflation in 1996. Mr Martin Hüfner, economist at Bayerische Vereinsbank, says interest rates should go up in the first half of 1995.

For Ms Cottrell, however, it will be fiscal policy that determines when, and if, rates rise next year. If both the consolidation of the federal budget and wage trends look like getting out of hand, she thinks the Bundesbank could use interest rate rises as a "psychological tool" to knock sense into politicians and wage bargainers.

Undoubtedly, the central bank continues to take M3 seriously, despite criticism from those who feel it has wavered from the true monetary path. Thus the Bundesbank is likely to underscore its commitment to monetary targeting when it sets its 1995 range for M3 on Thursday. Then the Christmas celebrations can begin.

Editorial Comment, Page 15

EUROPEAN NEWS DIGEST

González aide held in probe

One of the shadowiest episodes of the period in office of Mr Felipe González', the Spanish prime minister, is expected to be unravelled following the arrest of a senior member of the governing Socialist party in connection with a right-wing death squad that waged an undercover war against Basque separatists in the 1980s.

Ms Margarita Robles, the interior ministry's secretary of state, told the Madrid parliament yesterday that a high court judge had ordered the arrest of Mr Julian Sancristobal, a senior government official in the Basque Country between 1982 and 1984, director general of state security between 1984 and 1986 and subsequently a member of the Socialist party's policy council. Ms Robles said the arrest of Mr Sancristobal, together with three police officers, had been ordered by Judge Baltasar Garzón on charges of attempted murder, kidnapping and misuse of public funds.

■ Mr Mario Conde, the former chairman of Banco Español de Crédito (Banesto), who was indicted on fraud charges last month, was interrogated yesterday by a Madrid investigating judge. The questioning, which centres on the collapse a year ago of Banesto, then the fourth-ranked Spanish bank, continued late into the night and is expected to continue today. *Tom Burns, Madrid*

Hurd tries to calm Gibraltar

The British foreign secretary, Mr Douglas Hurd, yesterday moved to reassure Gibraltar over its status as a UK colony ahead of talks with his Spanish counterpart, Mr Javier Solana. Mr Hurd said the UK remained committed to the Gibraltarian constitution which states there can be no change in the colony's status without the consent of the local people. Spain said last week it planned to resurrect suggestions for a lease-back of Gibraltar, or a sharing of sovereignty, when the annual bilateral meeting on the future of the British colony takes place in London today. However, Gibralter's chief minister, Mr Joe Bossano, yesterday separately raised the stakes for the talks by accusing both London and Madrid of destabilising his administration. He accused the Foreign Office of conducting a "dirty tricks" campaign against him because of UK newspaper coverage that the colony was turning into a money-laundering and drugs centre. Mr Bossano also criticised Spain for making similar accusations. *Jimmy Burns, London*

French contract 'cartel' inquiry

France's Council on Competition is expected to rule next spring on a preliminary report that the country's main public contractors have systematically rigged bids on highways, bridges and high-speed TGV rail track contracts over the past few years. According to the preliminary report, which has been leaked to the Canard Enchaîné investigative weekly, the Council on Competition has uncovered 27 alleged cases of market and price rigging by some 50 companies, including Bouygues, Générale des Eaux and Lyonnaise des Eaux. The companies now have two months to respond to the allegations, before the Council prepares its final report, which could recommend sizeable fines. *David Buchan, Paris*

VW's Skoda stake to increase

The Czech government yesterday cleared the way for Volkswagen to increase its stake in Skoda Automobilova by approving a controversial amendment to a 1991 agreement. The amendment allows Volkswagen to take its stake in Skoda from 31 per cent to 60.3 per cent by the end of this year and to 70 per cent by the end of 1995, for a total cost of DM1.4bn. But the new agreement also accepts a substantial cut in Volkswagen's overall investment from an anticipated DM9.5bn (£3.87bn) when the original contract was signed, to Dm3.7bn. In return, Volkswagen has agreed to expand Skoda's production capacity to 340,000 cars a year by 2000 from 230,000 currently and to introduce a new family-type car based on a Volkswagen design. *Vincent Boland, Prague*

Russian businesses join forces

Russia's emerging capitalists are again searching for a constructive role in a society in which many people still regard making profits as an unethical pursuit. More than 1,000 Russian business leaders gathered in Moscow yesterday to form an association to represent their interests more effectively. The First Congress of Russian Businessmen called on the government to stiffen its plans for a tight 1995 budget, to stabilise the economy, to reduce inflation, cut government spending and reform the tax regime. Representatives asked the government to encourage a more favourable investment climate, making it possible to channel private money into parts of the manufacturing sector which stood "on the brink of destruction". *John Thornhill, Moscow*

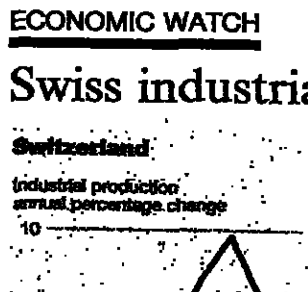
German TV station boosted

Vox, the ailing German television station in which Mr Rupert Murdoch's News Corporation has a 49.9 per cent stake, will spend DM200m (£81.6m) on its programming next year. The channel was started at the beginning of 1993 by Bertelsmann, the German media group, but went into liquidation last April when a number of the original shareholders withdrew. Several of Germany's 16 state media authorities were reluctant to renew the Vox licence after the channel went into liquidation, arguing that Mr Murdoch's arrival in July meant the new shareholders and programme mix bore no resemblance to the original channel. However, a spokesman for Vox, said the media regulators had approved the new line-up. *Michael Lindemann, Bonn*

ECONOMIC WATCH

Swiss industrial output falls

Switzerland



Source: Datastream

Swiss industrial production was 6 per cent ahead in the third quarter and new orders were 12 per cent higher than in the third quarter of 1993, according to the Federal Statistics Office. Industrial production, however, slipped 4.4 per cent in the third quarter from the second quarter. Export orders were 13 per cent higher year-on-year and 3.6 per cent ahead of the second quarter rate. A machinery industry spokesman said demand was strengthening, but export orders were being taken on very thin margins because of the strength of the Swiss franc. The improvement also reflected unavoidable restocking following the long recession, especially in the metal-working and watchmaking sectors. Domestic orders jumped as the January 1 implementation of a value added tax approached. Its effect will be to reduce the cost of capital goods. Domestic orders were up 10 per cent year-on-year, 1.8 per cent higher than in the second quarter. *Ian Rodger, Zurich*

■ Sweden's State Audit Office revised downwards its estimate for the budget deficit and government borrowing requirement in the current budget year. The audit office said tax increases and spending cuts announced in November would help lower the budget deficit in the 1994-95, July-June fiscal year to SKr189bn (£16bn) from the SKr201bn it estimated in October. The borrowing requirement was now expected to total SKr227bn, compared with the previous estimate of SKr242bn. However, the new figures still show a budget deficit equivalent to more than 12 per cent of gross national product and are unlikely to ease the pressure on Mr Göran Persson, the finance minister, to produce a further round of deep spending cuts in his 1995-96 budget proposals due next month.

Bank of Japan chief aims to tackle bad loan problem

By William Dawkins in Tokyo

Mr Yasuo Matsushita, new governor of the Bank of Japan, yesterday pledged that resolving the banking system's bad-loan problems would be one of his most important tasks.

Mr Matsushita, in his first public pronouncement since taking office last week, said bad loans had peaked, "but I am not confident the matter has started to improve in terms of the adjustment of corporate balance sheets."

Attempts to recoup some of those loans by disposing of property collateral were "not necessarily proceeding smoothly," he declared.

The problem would not disappear until non-performing assets could be made more liquid and businesses and financial institutions had improved their cash flows. Markets to clear such loans existed in the US, he added, referring to the securitisation of bad debts, but no such system existed in Japan. "Interest rate problems" and complex property rights were also factors.

While unspecific, Mr Matsushita's remarks were welcomed by equity analysts as a sign the new governor will be sympathetic to the Japanese banking industry's problems, and so can be expected to make the financial market's stability a high priority.

Japan's 21 leading banks reported Y13,300bn (£85.2bn) of bad debts, 3.45 per cent of total loans, at the end of September, widely seen as a drag on new lending. That only includes loans on which repayment is more than six months late; the total is generally estimated to be at least double if all restructured loans are included. Full disclosure would increase confidence and management responsibility, but it was premature to ask banks to do this, Mr Matsushita said.

He supported the decision of his predecessor, Mr Yasushi Mieno, to use Bank of Japan capital, for the first time since 1927, to rescue two small credit co-operatives. This must have been the best option, he said.

Yet the new governor appeared less optimistic on the economic outlook than Mr Mieno, suggesting to economists in Tokyo he will be inclined to keep short-term interest rates low.

He saw a slow economic pick-up, helped by rising industrial production and corporate earnings and improved business sentiment, but was cautious over the recovery's sustainability.

Corporate balance sheet adjustment was insufficient and personal consumption did not warrant optimism. "We cannot be too optimistic."

He saw no big change in the present economic trend. On the strength of the yen, cited recently by the Organisation for Economic Co-operation and Development as the main risk to Japan's recovery, Mr Matsushita said the best way to achieve currency stability was to seek non-inflationary sustained economic growth.

The government's Economic Planning Agency yesterday set a 2.8 per cent target for GDP growth in the year to the end of March 1996, slightly above the OECD forecast and well above most private-sector predictions.

At the same time, it revised down the growth target for the year to March 1995 from 2.4 per cent to 1.7 per cent, again well above most private-sector forecasts for growth of less than 1 per cent.

The EPA expects this fiscal year's current-account surplus to be higher than earlier forecast: $127bn (£79.3bn) rather than $125bn.

That, however, marks a politically welcome decline from last year's $131.4bn. It forecasts that the surplus will go on falling next year, to $122bn in the 12 months to March 1996.

Shareholders fight political funding

By William Dawkins

Shareholder groups of three leading Japanese industrial companies yesterday took court action to stop them making corporate political donations, the first such case in Japanese legal history.

This exemplifies growing public concern that curbs on political funding, due to take effect at the end of the year, may contain loopholes. It shows a small yet growing tendency among Japanese shareholders to make their voices heard.

They are angry that many companies have over the past few weeks resumed political donations, a year after they claimed to have closed their coffers, ostensibly to promote cleaner politics. In the previous year, 1992, corporate donations from all sources amounted to Y332.2bn (£2.1bn).

The companies in this case, all Osaka-based, are Obayashi, one of Japan's five largest construction groups, Osaka Gas and Kansai Electric Power, respectively Japan's second biggest gas and electricity suppliers. The suit, filed on shareholders' behalf by an Osaka civil rights group, seeks to stop the trio making donations for the Osaka governorship in next April's local elections.

The shareholders allege the three companies contravened an election law against giving money to politicians responsible for public works. Local governors can select contractors for substantial civil engineering projects. The trio are alleged to have collected Y420m from 129 local companies for a candidate in the last gubernatorial election in 1991.

Other business groups to have started making political donations again include the construction, oil and life insurance industry associations. The Keidanren, the leading business federation, continues to abstain from channelling its members' cash to political parties, but says member organisations have kept the freedom to donate independently.

However, the party line-up has now been simplified by last week's merger of all leading opposition parties into a single group, the New Frontier party. This leaves Japan with a simple system of three main parties: the ruling Liberal Democratic party, NFP and Social Democratic party.

The move has made it easier, for the first time in 18 months, for companies to spot who needs to be paid to safeguard their interests. The construction industry group says it is giving to both the main parties, the LDP and NFP, the first time it has had to make a two-way political bet. Corporate political funding is to be banned entirely in five years. Meanwhile, donations can still be made to one registered fund-raising group per politician.

Japan's campaign against costly economic regulations is starting to make slow progress for the first time in reducing the jungle of government red tape, William Dawkins writes.

The number of official permits and licences needed to do business in Japan, or simply live there, fell by 457, or 4 per cent, to 10,945 in the year to last March, reported the Management and Co-ordination Agency. It is the first drop recorded since 1985.

Progress is slow because new regulations emerge nearly half as fast as old ones are scrapped. Last year, for example, 829 permits were abolished, while 372 new ones were issued.

However, the pace of abolition may be increasing: 506 were scrapped in February and March alone, under a deregulation plan launched by former prime minister Morihiro Hosokawa .

Anniversary of Sino-British declaration underlines change in attitudes

Chinese count the seconds until they regain Hong Kong

By Tony Walker in Beijing

Tiananmen square in central Beijing has witnessed more than its share of momentous events, but yesterday's unveiling of a clock marking the days and seconds until Britain's handover of Hong Kong must rank as one of the more curious.

When the clock, attached to the columns guarding the entrance to the Museum of Revolutionary History, was unveiled by municipal officials it showed there were 925 days and 79.92m seconds to go before the July 1 1997 deadline.

The ceremony also coincided with the 10th anniversary of the signing of the Sino-British joint declaration on the Question of Hong Kong that took place in happier circumstances than those prevailing between Beijing and London.

Among onlookers who gathered in lightly falling snow to witness the unveiling, the mood was nationalistic. "With such a clock the idea of Hong Kong returning to the motherland will enter people's hearts gradually," said a woman student.

The idea for the clock came from editors associated with the popular magazine Top Brands published by the official Xinhua newsagency. Mr Li Weimin, editor-chief of the magazine, said yesterday the clock was the "most appropriate" way to draw attention to the resumption of Chinese sovereignty over Hong Kong.

"Tiananmen square is the focal point of the nation, and that is why we suggested that a clock be placed on the square so that it can best represent people's patriotism and elevate national spirit," Mr Li said.

China's press, in its coverage of the joint declaration's anniversary, highlighted remarks by Mr Qian Qichen, the foreign minister, and Mr Lu Ping, director of the Hong Kong and Macau Affairs Office, in which they hailed the document as a "great achievement".

"Implementing the principle of 'one country, two systems' toward Hong Kong after 1997 is neither an expedient measure nor a matter of being swayed by our emotions... this is China's long-term state policy," Mr Lu said. "It is regrettable that, in recent years, the British government has departed from the spirit of the joint declaration, changed its policy toward the issue of Hong Kong and adopted the way of confrontation," Mr Lu added.

Countdown: cyclists pass the new clock in Tiananmen Square, Beijing, marking the time to go until China takes back Hong Kong Reuter

Chinese officials clearly hope the clock on Tiananmen square will reinforce popular sentiment about the importance of re-establishing Chinese sovereignty over Hong Kong, but a risk is that such propaganda exercises will further sharpen antagonism with Britain. Recent discussions between Chinese and British officials over such issues as guaranteeing the continuity of an independent judiciary after 1997 have revealed continuing sharp differences.

These lingering arguments do not augur well for a smooth handover.

China puts terms on TV ventures

China is to introduce a regulation preventing foreigners from taking part in joint ventures to produce colour televisions unless they import advanced technology, the English-language state-run China Daily said, Reuter reports in Beijing.

"No advanced technology, no market, that is the ministry's policy," the newspaper quoted Zhang Jinqiang, vice-minister for the electronics industry, as saying.

Foreign companies are eager to set up joint ventures in China with the aim of gaining a larger slice of China's huge market for home appliances, the newspaper said. Since introducing its first colour television production line in 1980, China has invested Yuan 20bn (£1.5bn) in the industry.

China has an annual output capacity of 20m colour televisions a year and 15m tubes; last year it ranked third in the world after South Korea and the US, with output of 13m sets, the China Daily said.

Production is expected to reach 14m sets this year and 18m-20m by the end of the century. China exported 4.6m sets last year and the ministry hopes to raise this to 8m by the year 2000.

The production value of colour televisions accounts for about 40 per cent of the total of the electronics industry.

About 80 per cent of urban families but only 10 per cent of rural families have colour television sets.

China has 51 colour television manufacturers, of which five produce more than 1m sets a year.

The demand for large-screen colour televisions has increased rapidly in cities in recent years, the newspaper said.

Still loopholes in Hanoi's new copyright law, critics say

Vietnam attacks book pirates

Vietnam's recent copyright law brings protection up to international standards, but in "photocopy city", where books can be reproduced for a few dollars, loopholes still exist, Reuter reports from Hanoi.

National Assembly president Nong Duc Manh signed the ordinance protecting the copyright of the works of Vietnamese authors last week, according to newspaper reports.

"It's a good law in most ways," said Ms Tanya Pullin, a specialist on intellectual property rights with White and Case, a New York law firm. "It's an international-standard law that covers the things copyright should cover, such as books, music and computer software." The ordinance would help Vietnam join the Berne Convention on copyright.

But until it is admitted to the convention, a serious flaw in foreign eyes is the ordinance's stipulation that foreign authors must publish their works in Vietnam to qualify for copyright protection there. If they are published abroad, they must be published in Vietnam within 30 days to qualify.

In practice, few foreign authors of books, or composers, will do so. But computer software companies may well want to protect their works in this growing market.

"It means we would have to release simultaneously in Vietnam and the US, in English," said Ms Maureen Flanagan, country manager of the US company Unisys. Computer software piracy was "standard procedure" in Vietnam and had been encouraged by the US trade embargo, which Washington rescinded in February.

> A serious flaw in foreign eyes is the stipulation that authors must publish their works in Vietnam to qualify for protection there

Because legal imports of US software had been banned before then, the Vietnamese "got in the habit of importing and copying", she added. "It's worse here than China or Thailand."

When Vietnam joins the Berne Convention, it will have to extend copyright laws applicable to its own nationals to foreign authors, too. "But until they join the convention, the 30-day rule is a big loophole," Ms Pullin said.

Mr Cameron McCullough, of Sly and Weigall/Deacons, an Australia-based law firm, said the protection offered to computer software was the key element of the law.

Vietnam is keen to develop an information technology (IT) industry as well as a publishing one. "A copyright law is an essential element for protection of international property to develop sectors of the publishing industry. It is important for IT and absolutely critical for development of a software industry."

The law covers works including plays, broadcasts, videos, photographs, architecture, maps and books.

How effective it will be against local piracy remains to be seen. There are lucrative businesses based on photocopying popular books and documents, and pirated popular compact discs imported from other Asian countries have appeared on street stalls in large numbers recently, selling for about $1 each.

Warning on costs of protectionism

By Our Foreign Staff

A senior Indonesian minister yesterday warned that protectionism would raise local production costs and erode the international competitiveness of Indonesian industry.

The warning from Mr Ginanjar Kartasasmita, the planning minister, came amid a growing debate in Indonesia over efforts by a private company, PT Chandra Asri, to obtain protection for a $1.7bn petrochemicals complex being built in west Java. The main backers of the project include President Suharto's second son Bambang Trihatmodjo.

"We have to be very selective in protecting our firms since this raises costs for downstream users, which in turn makes these industries less competitive," Mr Ginanjar told a conference on manufacturing.

"We have to ensure that protection does not constitute a government subsidy to non-competitive businesses, denying these resources to infrastructure, education and health, which are fundamental to our long-term development success," he said.

The Chandra Asri debate has been front-page news with economists, former ministers and finance minister Mar'ie Muhammad speaking out against protectionism.

The company has asked for tariff barriers of up to 40 per cent for its plant, which is expected to produce ethylene and propylene. The tariffs would protect the Chandra Asri plant, due to come on stream next year, from cheaper imports. The company argues the protection is necessary because it will take several years before Chandra Asri becomes profitable.

Eastern demand lifts Cognac spirits

The industry expects valuable markets in China and Vietnam, writes **John Ridding**

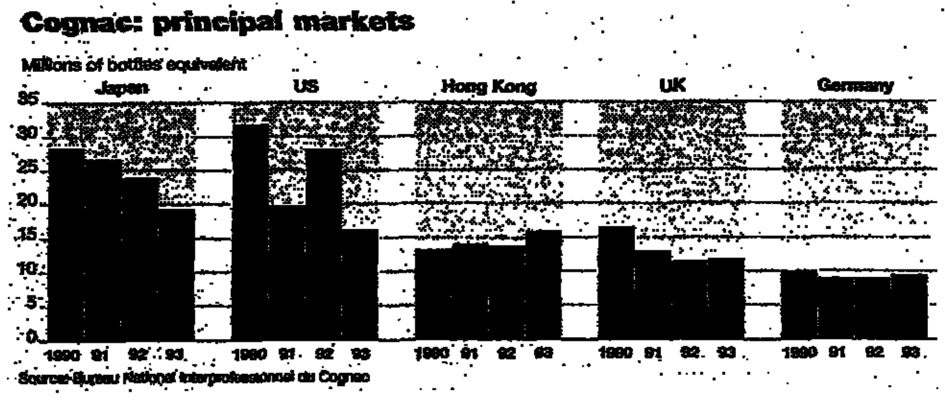
The Cognac region of south-west France is in better cheer. Producers of what Victor Hugo described as the "liqueur of the gods" are starting to see stronger shipments after years of sober demand. More important, the industry is hoping the rise of valuable new markets, notably China, will lead to a further surge of exports.

"In the next 10 years, China has the potential to become by far the world's biggest market," says Mr Gilles Hennessy, vice-president of Hennessy, one of the largest Cognac houses. "Along with markets such as Vietnam, this is where we see future growth."

This is echoed by industry analysts. In a report on Rémy Martin, the biggest name in China, Mr Edouard de Boisgelin, a Merrill Lynch analyst, describes the market as "a new Eldorado". He believes growth will be uneven and vulnerable to political and economic developments, but the coastal Chinese market could reach 29m bottles by the year 2000, against 6m at present, and 20.8m in the US, the biggest market in 1993.

For the Cognac producers, the importance of China and other new markets reflects several factors. The Bureau National Interprofessionnel du Cognac, representing the 300 or so Cognac companies, says about 94 per cent of sales comes from exports, with the lion's share accounted for by the US, Japan, Hong Kong and western Europe. As a result, the industry depends on markets which in many cases are mature or sluggish.

Cognac: principal markets



Source: Bureau National Interprofessionnel du Cognac

But room still exists for growth. The US has rebounded from recession to regain its position as the number one market. Analysts also expect recovery in Japan, badly hit by economic downturn.

"There, a lot of purchases were on corporate entertainment budgets and these have been hit as companies have tightened their belts," says Mr Hennessy, whose company is the market leader. Overall sales in Japan fell to 17.4m bottles-equivalent in the year to the end of August, from 22.3m in the same period in 1992-1993. Price cuts have prompted improvement, but the return to previous levels has so far proved gradual.

Despite resurgence in shipments to the US, and Japan's recovery prospects, few observers see rapid growth in existing markets. New markets are prompting the enthusiasm. "Emerging markets such as China are the main hope," one analyst at a French bank said.

This hope is partly justified by the Chinese market's rapid growth. "The Chinese have always had a taste for Cognac," says Mr Hennessy.

Whether the appetites of the Chinese consumer and the Cognac companies will be satisfied depends on progress in resolving the obstacles. Most important are the high taxes facing importers of liquors and spirits. Tariffs increase the cost of a bottle of Cognac by about 150 per cent; taxes take the total price rise to almost 250 per cent. Import barriers are an important element in talks on China's membership of the World Trade Organisation, successor to the General Agreement on Tariffs and Trade, which comes into effect at the start of next year.

One Cognac executive said progress was being made, partly because Beijing was seeking to curb the black market through which most Cognac at present enters China. But the gap between the Chinese offers on tariff cuts and the demands of the international spirits industry still remains to be bridged.

Partly because of high tariffs and taxes, emerging markets in Asia, Russia and Latin America remain vulnerable to counterfeit producers. But things have improved somewhat over the past two years, one senior executive in the industry says. In Thailand, he estimates counterfeit Cognac now represents a few per cent of the market, against up to 30 per cent a few years ago.

Steps are being taken to limit the problem in the new markets. In China, Hennessy has agreed to set up a laboratory with Chinese partners to root out counterfeit products. The company believes such moves will help smooth access for French producers, but the process may take a long time. Given the market's potential size, the wait would seem worth it.

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Israel's markets tax to go ahead

By Julian Ozanne in Jerusalem

Israeli prime minister Yitzhak Rabin yesterday said a controversial capital gains tax would go ahead on January 1 as planned. The statement put an end to a cabinet row over the proposed measure and settled more than a week of uncertainty.

Mr Rabin made the announcement after meeting Mr Abraham Shochat, the finance minister, who spent last week fending off fierce criticism over the tax on stock market profits. Opponents maintained that imposition of the tax had caused a decline in public support for Mr Rabin's Labour party.

Mr Rabin, however, said he was considering modifying the tax and would be listening to the investors in Israel's stock exchange.

Under the present legislation, investors will have the option of paying varying rates depending on whether they want to deduct stock market losses.

The option with deductions will be assessed at a 20 per cent rate on net profits and will require investors to file year-end tax reports.

The option without deductions will be assessed at 10 per cent and will be deducted at source.

Foreign investors living in countries which have a double-tax treaty with Israel, like most western European nations, will be exempt from paying the tax.

Stock market analysts say the prospect of implementing the tax has been one factor depressing the stock market which has declined about 35 per cent in the past year.

The market rallied briefly last week while Mr Rabin was abroad, but sentiment was quickly damped after the announcement and shares yesterday afternoon steadily shed their morning gains. The Mishtanim index, which had risen 3.25 per cent during the morning, was up by only 0.05 per cent shortly after the announcement.

Energy and transport departments to bear brunt of government savings

Clinton lines up tax cut targets

By Jurek Martin in Washington

Senior members of the Clinton administration yesterday outlined the details of about $24bn in spending cuts and departmental rationalisation designed in part to finance the $60m middle class tax cut proposals unveiled last week.

President Bill Clinton also announced that he had ordered Vice President Al Gore to expand the existing "reinventing government" programme under his direction, and to produce further proposals within 90 days.

He repeated that any tax cuts had to be paid for in order not to increase the federal deficit. The bulk of finance for his proposed tax cuts comes from the $52bn generated by continuing for two more years the freeze on discretionary spending. Over the weekend, some prominent Republicans had agreed that it would be wrong to sacrifice deficit reduction on the altar of tax cuts.

Mr Gore said consideration had been given to abolishing several government departments and agencies, as demanded by some Republicans, but that the "reform option" was the better approach. However he pledged to "make government work better and do less" and "to trade interference for opportunity".

Al Gore (left): ordered by Bill Clinton to expand the "reinventing government" programme

Dr Alice Rivlin, the budget director, said the time had clearly come to "sort out roles and missions".

Basic questions to be addressed included: "Should the federal government be doing all these things? Should it be making all these decisions? Should it be handing out all these specific little grants?"

The brunt of the $24bn five year hit is being borne by the departments of energy ($10.6bn) and transport ($6.7bn), with smaller slices from the budgets of housing ($800m), and two agencies which serve the federal government machine – the general services administration ($1.4m) and office of personnel management ($30,000). A further $4.5bn of spending cuts remain to be identified.

Mr Federico Pena, the transportation secretary, said his department would see its staff cut roughly in half from 106,000 to 54,000 over five years, with the 40,000 employees at present involved in air traffic control coming under the auspices of a new government corporation.

But 10 separate departmental divisions would be consolidated into three, and 30 existing loan programmes, each with their own rules and criteria, would be reduced to three as well. Mr Henry Cisneros, secretary of housing, said 60 loan programmes to cities would be consolidated into three broad block grant categories.

The energy department, described by Mr Gore as a relic of "the Opec and Cold War" period, would achieve its savings by privatising the naval petroleum reserve in California and through a variety of management and contracting changes.

The proposals outlined yesterday will form part of the administration's 1995-96 budget, to be presented early in the year. Republican control of Congress means that changes to this will be made.

All those who followed Mr Clinton and Mr Gore to the dias said they were determined to make the relationship between Washington and state and local authorities work better. But Dr Rivlin added a warning to some of the more fervent Republican disciples of government cuts: "There are some things which must remain federal".

Nigeria fails to heed business alarms

Disenchanted companies are looking elsewhere to invest, writes **Paul Adams**

Ever since Nigeria's military regime detailed its economic policies in January 1994, it has received blunt warnings of economic decline and disinvestment from Nigeria's private sector. A survey of British business experiences in emerging markets, published yesterday by Control Risks Group, underlines this message. The survey shows the ratio of opportunity against risk in Nigeria as minus 4.5, whilst Africa as a whole receives a positive ratio of 2.5.

Nigeria's advantages over most of the African continent – the largest domestic market in Africa, its dominance in the manufacturing and oil and gas sectors in west Africa and its agricultural potential – are being eroded as disadvantages rise.

Many problems stem from political instability. In 1993 and 1994, industry lost nearly two months business because of political strikes which brought fuel supplies and transport almost to a halt, and closed ports, banks and offices.

In July and August this year, the strikes hit multinational oil producers as the unions damaged equipment and threatened staff who continued to work. The manoeuvring by the military to retain power has eroded policymaking which is either on hold, non-existent or liable to sudden U-turns. The most damaging of these was the imposition of foreign exchange controls this year which stopped several planned investments in agriculture and agro-industry by multinationals.

High inflation, low productivity and currency devaluation have hit spending power and depressed local demand while ill-conceived macro-economic policies have aggravated restrictions on investment. The limit of 40 per cent foreign ownership in the main sectors of the economy, including oil and gas production, banking and manufacturing industry, deprives multinationals of control.

Nigeria has missed out on the interest in emerging markets funds and has been left behind by neighbouring Ghana's newer and smaller stock exchange. Payment uncertainties are an old problem for contractors and suppliers in Nigeria and now affect most sectors of industry.

The failure of the state oil company, Nigerian National Petroleum Corporation, to pay its 60 per cent share of the operating costs in its joint ventures with the international oil companies forced Shell to declare NNPC in default. The oil majors have warned that unless the government improves its funding or reduces its equity, more default notices will follow next year and production will decline.

Another difficulty is fraud. International companies have become a prime target for embezzlement, false invoicing and counterfeit documents, notes and even fake drugs.

Armed robbery and street crime, and the corruption and inefficiency of the police force, make extra security essential to protect property. Several large companies employ and equip local police units to get the service they require. At Lagos airport customs officials try to extort money, and touts deceive, abduct and rob visitors on arrival.

Poor infrastructure also constrains business activities. Some areas go without mains electricity or water for weeks, so back-up generators, tankers delivering water and reserves of fuel for generators and cars are essential to most operations. Roads and telecommunications are poorly maintained and congested.

Bureaucratic corruption is all-pervasive at all levels from the state telephone company to the dozen or so agencies handling the shipping of goods in and out of the country.

Panels set up early this year by Gen Sani Abacha's military regime to probe these services are regarded as a cover-up. Military task forces usually add to the corruption and, in the case of the customs task force, increase the chaos. These problems are less discouraging when companies are making sizeable profits. But if Nigeria's economy continues its downward slide, the negative factors will add to the reasons why Nigerian and international businesses are looking elsewhere to invest.

STATE PROPERTY AGENCY

CALL FOR TENDERS

In collaboration with the Altus Befektetési és Vagyonkezelo Rt (Altus Investment and Property Management Ltd.), as the consultant, the State Property Agency offers the state-owned shares in the

Magyar Viscosa Részvénytársaság

(Magyar Viscosa Co. Ltd.)

for sale in the framework of a one round, public tender.

The issued capital of the Company is HUF 2,276,180,000, and the value of the equity capital expected on December 31, 1994 will be HUF 3,883,000,000.

Of the state-owned block of shares in the par value of HUF 1,231,570,000, which represents 54.11% of the issued capital, the State Property Agency isolates a block of shares in the par value of HUF 93,470,000 representing approximately 4.1% of the issued capital, which will be offered to the Company's employees for property acquisition under preferential conditions. Accordingly, the bidders can make bids for a block of shares in the par value of HUF 1,138,100,000 ensuring majority ownership in the Company, which will mean 50% + 1 vote for the bidder who wins the tender. In case the employees do not buy a part of, or all the block of shares isolated for them, the buyer must assume the obligation of purchase at the price and under the conditions offered for the majority share.

The State Property Agency accepts bids for the whole block of shares, which ensures majority ownership, and the buying price is payable exclusively in cash.

The State Property Agency offers for purchase, together with the package of shares, its accounts receivable from Hungarian Viscose Co. Ltd. in an amount of HUF 201,181,000.-

Hungarian and foreign natural and legal persons, as well as economic associations having a legal personality, the Organization Committee of the MRP (Employees' Share Ownership Programme), private entrepreneurs and their consortia may participate in the tender.

To confirm their intention of purchase, the bidders have to deposit a forfeit money of HUF 25,000,000, until the deadline of submitting the bids, to the account opened by the State Property Agency at the Hungarian Foreign Trade Bank for the purpose of receiving forfeit money.

The condition of submitting the bids is that the bidders buy the material, which also includes the detailed Call for Tenders, for HUF 30,000 + VAT, at the Consultant's office (1055 Budapest, Szalay u. 4. floor VII), and that they sign a Statement of Secrecy related to the data and information obtained.

The bids have to be forwarded to the addresss given as the place of submission, in five copies in Hungarian language, in a sealed envelope without a letterhead, marking the "ORIGINAL" copy, as well as with the inscription "Magyar Viscosa Rt. tender."

The bidders have to undertake a ninety-day binding period.

The deadline of submitting the bids is from 12.00 to 14.00 on February 22, 1995 (Wednesday).

The place of submitting the bids is at the State Property Agency (1133 Budapest, Pozsonyi út 56.), room 804.

The State Property Agency reserves the right to qualify the tender as inefficient.

Further information in connection with the tender and the Company is available from:

dr. István Molnár, State Property Agency (phone: 36/1/267-00-68), György Pászty, Magyar Viscosa Rt. (phone: 36/33/355-255), dr. Ilona Tatai, Altus Befektetési és Vagyonkezelő Rt. (phone: 36/1/111-4438).

HUNGARY: PRIVATISATION GOES ON

INTERNATIONAL NEWS DIGEST

Mexican rebels break army line

Armed rebels in the southern Mexican state of Chiapas announced that thousands of their troops had slipped by positions held by government soldiers and that they now occupied 38 of the state's 110 municipalities. There were no immediate reports of fighting but eyewitnesses said Indian peasants armed with rifles were blockading highways around the state and had taken over at least one town hall. Subcommandante Marcos, leader of the rebel Zapatista Army, said the move was his troops' first "major military action" since a ceasefire declared on January 12.

Government troops have controlled the standoff by encircling Zapatista territory, but the new action may complicate the situation, putting government forces in the middle of territory claimed by the Zapatistas. *Ted Bardacke, Mexico City*

Collor's brother dies

Mr Pedro Collor de Mello, whose revelations of top-level corruption in Brazil led to the toppling of his brother, former president Fernando Collor, in 1992, died yesterday in New York.

Mr Pedro Collor, who was 42, was declared brain dead on Saturday after suffering from brain cancer and was being maintained on a life-support machine. In an interview in May 1992, Mr Pedro Collor said his younger brother had amassed a fortune through a multi-million-dollar influence peddling scheme and that he had used cocaine. Faced with an impeachment trial and huge street demonstrations across Brazil, Mr Fernando Collor resigned in December 1992 and was subsequently banned from politics for eight years. Last week a Brazilian court threw out criminal charges of bribe-taking against Mr Fernando Collor. *Reuter, Rio de Janeiro*

ANC officials deny racism

African National Congress officials have reaffirmed the party's commitment to non-racism and denied reports that delegates to its national conference are calling for the party to pursue an agenda which gives priority to black needs. Mr Mac Maharaj, transport minister, and other senior members of a commission deciding the party's strategy and tactics, said speculation that the ANC would end its reconciliatory policy towards whites and devote itself to blacks was unfounded.

The 11 commissions formalising party policy on issues ranging from next year's local government elections to foreign affairs will present their findings to the party plenary today when election results for the party's six top posts will also be announced. President Nelson Mandela and deputy president Thabo Mbeki are almost certain to be elected to the presidency and deputy presidency of the party respectively. Editorial comment, Page 15. *Mark Suzman, Bloemfontein*

CONTRACTS AND VENTURES

■ Singapore Airlines, which announced plans in June to buy up to 30 Airbus aircraft, has now signed a contract to buy 10 A340-300E aircraft with an option for 20 more. The $5.4bn contract was in addition to an existing firm order for seven A340s. *Reuter, Paris*

■ US oil company Atlantic Richfield (Arco) signed a contract with the China National Offshore Oil Corp (CNOOC) to explore for oil and gas off China's southern Hainan island. The contract was Arco's sixth with CNOOC. The deal was CNOOC's 100th with a foreign company. *Reuter, Beijing*

■ Pirelli, the Italian tyres and cables manufacturer, yesterday launched its first manufacturing site in the Far East. The joint venture with a subsidiary of Gajah Tunggal, a diversified Indonesian group, will produce and sell energy and telecommunication cables and systems in Indonesia. Half the venture will be owned by Pirelli Cables and the other half by PT Kabelmetal Indonesia, Gajah Tunggal's subsidiary, which will together invest some $70m in the first years of the venture. The venture company will make and sell fibre-optic cables and systems for the telecoms market. *Andrew Hill, Milan*

■ Siemens Automation, part of the German electrical and electronics group, has established its second joint venture in China. Siemens Industrial Automation Shanghai will distribute and engineer programable logic controllers (PLCs), which are used in factory automation. Siemens' partner is Shanghai Automation Instrumentation, which will have a 40 per cent stake. In future, says Siemens, its Simatic controllers will also be produced in Shanghai. *Andrew Baxter, London*

■ Electrical engineering group ABB Asea Brown Boveri has won an order from the Berlin public transport authority, Berliner Vekehrsbetriebe, for 25 four-car underground trains. An ABB statement said the order value was for more than $100m. *Reuter, Zurich*

INTERNATIONAL ECONOMIC INDICATORS: **MONEY AND FINANCE**

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.85
1993	11.6	1.1	3.22	5.86	2.78
4th qtr.1993	10.5	1.4	3.34	5.59	2.73
1st qtr.1994	9.8	2.2	3.52	6.06	2.75
2nd qtr.1994	7.5	2.2	4.40	7.07	2.90
3rd qtr.1994	5.1	1.7	4.87	7.31	2.87
December 1993	10.1	1.7	3.35	5.74	2.74
January 1994	9.7	2.0	3.20	5.71	2.72
February	10.0	2.2	3.49	5.97	2.74
March	9.8	2.5	3.84	6.47	2.80
April	9.0	2.7	4.05	6.94	2.91
May	7.0	2.1	4.54	7.17	2.91
June	6.5	1.7	4.57	7.09	2.89
July	6.1	2.0	4.75	7.28	2.91
August	5.1	1.7	4.84	7.22	2.84
September	4.2	1.5	5.01	7.44	2.85
October	3.2	1.3	5.49	7.72	2.87
November	2.3	1.0	5.81	7.94	2.91

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	5.0	9.3	6.62	6.51	n.a.
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.84	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.48
1990	2.6	8.5	7.62	6.91	0.65
1991	5.2	2.0	7.21	6.37	0.75
1992	4.5	−0.4	4.26	5.25	1.00
1993	3.0	1.4	2.83	4.18	0.87
4th qtr.1993	3.5	1.4	2.14	3.57	0.84
1st qtr.1994	4.7	1.9	2.05	3.68	0.82
2nd qtr.1994	5.2	1.5	2.07	4.05	0.76
3rd qtr.1994	6.2	2.3	2.13	4.46	0.74
December 1993	3.4	1.4	1.90	3.25	0.89
January 1994	4.2	1.6	1.96	3.34	0.85
February	4.8	1.5	2.05	3.60	0.80
March	5.2	1.9	2.13	4.08	0.79
April	5.9	2.2	2.13	4.03	0.80
May	5.0	1.7	2.08	3.90	0.78
June	4.7	1.5	2.01	4.24	0.72
July	5.7	2.0	2.02	4.32	0.73
August	6.0	1.9	2.16	4.56	0.74
September	6.9	2.3	2.21	4.50	0.77
October	6.0	2.4	2.20	4.63	0.76
November	6.1	2.6	2.24	4.63	0.79

■ GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.4	5.1	5.45	6.94	n.a.
1986	9.9	8.7	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.0	8.2	9.52	7.77	2.45
1993	9.4	7.9	7.28	6.44	2.11
4th qtr.1993	8.6	7.5	6.34	5.83	1.79
1st qtr.1994	11.1	11.6	5.88	5.93	1.75
2nd qtr.1994	11.4	10.5	5.28	6.71	1.72
3rd qtr.1994	9.6	8.4	5.01	7.18	1.76
December 1993	8.1	8.8	6.11	5.71	1.69
January 1994	11.8	11.4	5.90	5.63	1.71
February	11.0	11.9	5.91	5.87	1.77
March	10.5	11.4	5.84	6.27	1.76
April	11.6	10.8	5.61	6.43	1.68
May	11.2	10.7	5.20	6.63	1.67
June	11.3	10.0	5.07	7.05	1.80
July	9.7	9.0	4.97	6.90	1.79
August	10.1	8.1	5.00	7.10	1.74
September	9.0	8.3	5.07	7.53	1.78
October	8.8	7.4	5.22	7.54	1.84
November			5.21	7.48	1.82

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	11.0	10.03	11.74	n.a.
1986	6.9	2.7	7.79	8.74	2.65
1987	4.1	11.6	8.26	9.46	2.75
1988	3.9	8.3	7.94	9.08	3.69
1989	7.5	10.0	9.39	8.79	2.88
1990	3.8	9.4	10.32	9.92	3.19
1991	−4.9	2.3	9.62	9.03	3.58
1992	−0.2	5.2	10.36	8.57	3.55
1993	1.4	−2.9	8.55	6.75	3.21
4th qtr.1993	1.4	−2.9	6.74	5.92	3.01
1st qtr.1994	2.8	−5.0	6.29	5.99	2.85
2nd qtr.1994	1.8	−4.2	5.73	7.03	2.97
3rd qtr.1994	4.0	−0.5	5.62	7.69	3.05
December 1993	1.4	−2.9	6.52	5.79	2.94
January 1994	2.2	−4.1	6.31	5.66	2.92
February	3.0	−4.7	6.30	5.93	2.81
March	2.8	−5.0	6.25	6.37	2.90
April	5.8	−4.1	6.01	6.65	2.89
May	1.2	−4.7	5.65	6.94	2.88
June	1.8	−4.2	5.57	7.48	3.14
July	4.6	−1.9	5.65	7.38	3.09
August	3.5	−1.2	5.59	7.81	2.96
September	4.0	−0.5	5.83	8.09	3.10
October			5.65	8.17	3.18
November			5.61	8.13	3.08

■ ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.
1986	10.5	8.2	13.25	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.8	6.9	11.24	10.54	2.71
1989	7.1	8.2	12.41	11.61	2.46
1990	9.3	9.1	11.98	11.87	2.84
1991	7.3	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.86	13.29	3.63
1993	4.6	7.1	10.22	11.23	2.35
4th qtr.1993	7.4	8.1	8.89	9.10	2.02
1st qtr.1994	7.9	7.8	8.42	8.99	1.80
2nd qtr.1994	9.2	7.4	7.98	9.64	1.54
3rd qtr.1994	6.3	5.1	8.68	11.42	1.58
December 1993	7.8	8.0	8.72	8.94	1.97
January 1994	6.4	7.1	8.44	8.69	1.88
February	7.8	7.6	8.37	8.76	1.74
March	9.9	8.6	8.43	9.46	1.77
April	10.4	8.4	8.11	9.07	1.58
May	9.5	7.3	7.80	9.38	1.49
June	7.7	6.4	8.03	10.46	1.57
July	8.3	6.6	8.43	10.70	1.54
August	5.8	4.9	8.93	11.49	1.58
September	4.9	3.8	8.86	12.03	1.61
October	4.3	2.8	8.78	12.08	1.71
November			8.68	12.04	1.74

■ UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.7	13.1	12.32	11.03	n.a.
1986	4.0	15.4	11.02	9.97	4.35
1987	4.7	15.2	9.77	9.52	3.60
1988	6.8	17.3	10.41	9.69	4.48
1989	5.9	17.6	13.99	10.30	4.36
1990	5.3	16.1	14.82	11.53	5.07
1991	2.4	7.9	11.58	10.04	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.8	3.5	5.99	7.40	4.01
4th qtr.1993	5.5	4.3	5.61	6.61	3.76
1st qtr.1994	5.4	5.3	5.31	6.72	3.57
2nd qtr.1994	6.6	5.3	5.23	8.12	4.00
3rd qtr.1994	6.7	4.7	5.55	8.57	4.03
December 1993	6.0	4.8	5.40	6.28	3.61
January 1994	5.1	5.0	5.44	6.22	3.46
February	5.4	5.3	5.27	6.61	3.49
March	5.6	5.8	5.23	7.29	3.74
April	6.0	5.4	5.29	7.66	3.87
May	6.9	5.1	5.22	8.13	3.96
June	6.9	5.4	5.18	8.54	4.16
July	6.5	4.7	5.29	8.38	4.11
August	6.3	4.6	5.58	8.32	3.94
September	7.2	4.7	5.76	8.60	4.04
October	7.3	3.9	5.98	8.71	4.14
November	7.1		6.13	8.58	4.12

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

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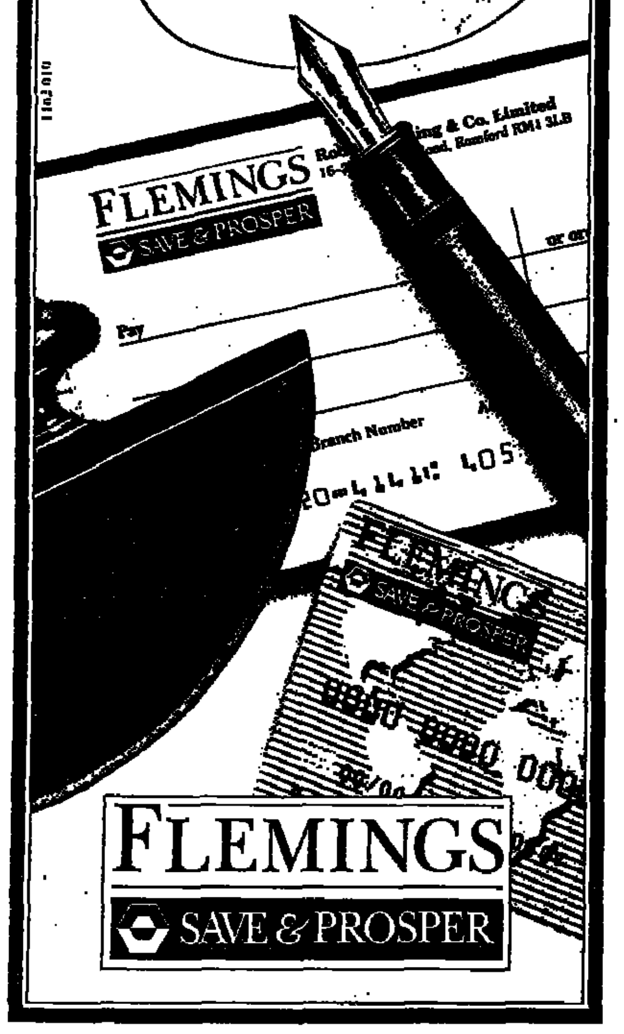

FLEMINGS

SAVE & PROSPER

NEWS: UK

Heathrow demands extra terminal

By Jimmy Burns

Failure to develop Heathrow would drive business overseas and undermine the UK aviation industry, BAA, the airport's operator, warned yesterday as it unveiled its long awaited economic and environmental case for a fifth terminal at London's main international airport.

Publication of its case is the opening shot in what is likely to be a fiercely-fought planning battle – a public inquiry is to begin next May.

BAA's case is supported by the Board of Airline Representatives, which speaks for nearly all domestic and foreign airlines using British airports, and is opposed by municipal authorities and environmental groups.

The central premise of BAA's case is that existing capacity in south-east England, the economic hub of the UK, will be incapable of meeting forecast passenger demand by 2002.

Sir John Egan, BAA chief executive, said: "Without a significant increase in capacity where it is most needed we will fail to meet demand. For the sake of the UK economy and the UK aviation industry we must provide more capacity in the south-east.

BAA said Heathrow remained "the first choice of airlines and passengers." It had unrivalled international connections, and the international trend was towards greater centralisation based on major hub airports. BAA claims that only expansion at Heathrow will prevent additional business going to rival European airports.

It argues that Terminal 5 would allow Heathrow's existing runways to handle 30m passengers more a year, and would be a suitable alternative until about 2015 to the creation of an additional runway.

BAA, together with British Airways, have been anxious to avoid the row over the proposed new runway at Heathrow undermining the proposed development of Terminal 5, so it would prefer a decision on the new runway to be deferred.

Yesterday Mr Des Wilson, BAA's public affairs director, released the results of an opinion poll suggesting that local residents were less opposed to the runway than had previously been thought.

But Mr Dermot Cox of the Heathrow Association for the Control of Airport Noise said BAA's proposals would mean a "massive increase in flights and pollution, while safety standards will be under immense pressure."

MPs say EU aid for steel is 'shambles'

The government should "review its position" on state aid for the steel industry if other European Union producers continue to receive state subsidies, the House of Commons trade and industry committee said yesterday.

Mr Richard Caborn, an MP with the opposition Labour party who chairs the committee, said: "The system of state aids to European steel producers is a shambles, and it is British steel producers who are paying the price."

The MPs said their inquiry was prompted by "growing concern over the ability of the European Commission to control this situation".

The report pointed to the failure of an EU restructuring plan which had aimed to cut European steel capacity by up to 26 million tonnes.

Many blamed an EU industry council decision a year ago to allow state aids for six struggling companies in Italy, Germany, Spain and Portugal in return for a capacity reduction of 5.5m tonnes.

"There are doubts as to whether the cuts offered have been made in productive capacity, as well as concern about the amount of aid granted," said the report.

It added: "Unsubsidised producers such as British Steel and the smaller companies in the UK have been left facing competition from subsidised companies which have little incentive to respond to market forces and cut production."

The payments made to the six companies were legal under the Treaty of Paris, which governs the EU steel industry: "But in some cases it appears that the conditions attached to the grants have not been met."

The MPs said the Commission did not have enough power to punish member states for breaking subsidy rules and warned that failure to restructure the industry had left long-term problems.

Mr Caborn urged the UK government to "force" the EU council of industry ministers to stamp out illegal subsidies.

British Steel in US, Page 17

Silver lady glides into partner's arms

John Griffiths on pressures which drove Rolls-Royce into an engines deal with BMW

ROLLS ROYCE

The engine supply and collaborative engineering agreement announced yesterday by Rolls-Royce Motor Cars and BMW of Germany should at least make R-R's long-term task easier without, as yet, compromising its relative independence. The deal marks one of the biggest changes in the 90-year-history of one of the most illustrious car marques, famous for its severe radiator grille topped by a "silver lady" statuette.

It lifts from Rolls-Royce, a subsidiary of the Vickers industrial group, one of the heaviest financial burdens facing any small-scale vehicle manufacturer – to design, develop and manufacture complex engines and meet a maze of ever stricter legislation on exhaust emissions, fuel economy and other technical standards.

Rolls-Royce's own engines, with their roots in the 1950s, can meet emissions standards to the end of this century. Yesterday's deal, reached after months of negotiations with BMW and possible alternative supplier Mercedes-Benz, goes much farther.

The V8 and V12 engines which BMW already produces for its own vehicles will be jointly re-engineered for the Rolls-Royce and Bentley ranges.

What the deal will apparently not do is to launch immediately the familiar process of a small British carmaker with a big reputation being absorbed into a much larger foreign one. There is no provision for BMW either to buy Rolls-Royce or to take an equity stake. Sir Colin Chandler, chief executive of Vickers, said yesterday that neither was in prospect "for the forseeable future".

He left the door at least slightly ajar in acknowledging that "nothing is impossible in the long term". BMW's chairman, Mr Bernd Pischetsrieder, in London for the announcement, hinted that BMW would be interested.

When it comes to the long-term, Rolls-Royce's management readily concedes that one of its biggest problems, the volatility of the luxury market, will never go away.

In the past Rolls-Royce has slipped into losses just as predictably as it has returned to being Vickers' single biggest profits earner when the good times have returned.

At the last recession in 1991, the factory in Crewe in north-west England needed to produce 2,400 cars to break even. Its sales plunged to 1,723 from 3,333 in the 1990s and to 1,378 in 1992.

Flexible team working, heavy investment in automated machining processes and other productivity measures had reduced the break-even to below 1,300 at the start of this year, according to Mr Peter Ward, Rolls' chairman and chief executive. Rolls-Royce is believed to be on course to make pre-tax profits of around £12m ($19.7m) this year despite worldwide sales up only 2.2 per cent at 1,051 in the first three quarters.

Lex, Page 16

> Ogihara, the Japanese manufacturer of pressed steel components for the motor industry, is moving into the European market in a joint venture with Marubeni, the trading corporation, through the purchase of a plant at Telford, Shropshire, Paul Cheeseright writes.
>
> The Japanese companies said in Tokyo yesterday they were paying Y3.0bn ($31.48m) for the plant and would take it over on January 1. Had they not done so, the plant, which employs 86, would have closed. The factory is owned by Venture Pressings, a joint venture of Jaguar Cars and GKN. It opened in 1990, using reconditioned equipment to make body panels for Jaguar. But when Jaguar was acquired by Ford, it obtained access to other sources of panels, reducing its need for Telford.
>
> Ogihara has been considering starting a presence in Europe for some years. Its first approach to the Telford authorities came in August 1992. A supplier to major motor manufacturers in Japan, it already has plants in Michigan, Taiwan and Thailand with an office in Beijing.
>
> Ogihara will own 51 per cent of its joint venture with Marubeni. The plant will continue to supply Jaguar with limited quantities of body panels.

1884 Henry Royce (1863-1933) founds F.H. Royce and Co, crane manufacturer, in Manchester
1904 First meeting of Royce and Charles Rolls (1877-1910), UK distributor of French cars
1906 Rolls-Royce Ltd registered as manufacturer of "all-British motor car"
1910 Rolls becomes first Englishman to fly to France; is killed in flying accident
1914 Rolls-Royce starts making aero-engines
1919 Rolls-Royce of America founded
1929 Phantom II launched as "best car in the world"
1930 Bentley Motors goes into liquidation and is bought by R-R
1930 R-R starts making Merlin engine, used in World War Two to power Spitfire and Mustang fighters
1955 R-R launches Silver Cloud
1959 Launch of 6750cc V8 engine on which present R-R car engines are based
1965 Controversy as Silver Shadow (above) launched with monocoque construction and smaller radiator grille
1971 R-R goes into receivership after difficulties in developing RB211 engine for Lockheed TriStar; R-R nationalised by Tory government amid controversy about rescuing "lame ducks"
1973 Cars division floated
1980 R-R Motor Cars acquired by industrial group Vickers
1987 Rolls-Royce, manufacturer of aero-engines and industrial plant, privatised
1990 R-R begins programme of cuts that will cut workforce by 24% [illegible] years later
1994 Production of Corniche car ends after 23 years

Nadir suffers hotel setback in Cyprus

By John Barham in Ankara and Jim Kelly in London

The administrators of Polly Peck International, the failed empire of fugitive businessman Asil Nadir, yesterday moved closer to gaining control of assets in northern Cyprus.

A cheque for nearly $100,000 was paid by a representative of Voyager Kibris Ltd to the government of the breakaway republic for unpaid rent on the Jasmine Court Hotel.

Voyager is a subsidiary of PPI and the payment, which was acknowledged by the government, represents a blow to Mr Nadir's plans to gain control of the hotel.

Mr Bill Cleghorn, representing shareholders in Voyager, handed over a cheque for $97,215 to pay off a year's unpaid rent on the government-owned luxury hotel in Kyrenia. Mr Nadir, who fled to north Cyprus last year after jumping £3.5m bail in the UK, ran the Jasmine Court in defiance of demands by the administrators to surrender control.

The administrators believe that the payment, and the return of a valid receipt for the transaction, represents recognition by the breakaway republic's government of Voyager's claims to control the business.

Mr Chris Barlow, a partner in Coopers & Lybrand and lead administrator, said that there were also plans to meet the government today to discuss payment of the Jasmine Court's tax debts.

He added that a reported deal between Mr Nadir and the government, in which the fugitive businessman offered to hand over a fruit packaging business in lieu of debts, was now defunct.

Competition on railways delayed

Competition is to be restricted on the privatised railway network for at least seven years to prevent a free-for-all which would damage the interests of travellers and the rail companies, our Transport Correspondent writes.

Mr John Swift, the rail regulator, yesterday announced plans for tight controls on new entrants to the railway business until March 1999 and continuing "substantial restrictions" for at least a further three years.

Unbridled competition on the railways from companies which bid to run individual lines or services could damage the interests of the franchisees who acquire the right to run entire regional networks.

Mr Swift gave the reasons for his decision in the latest of a series of policy documents which set a regulatory framework for the railway. Passenger train services in the state network are to be franchised to 25 private operators over the next two to three years.

The government had originally intended to allow "open access" operators to bid for particular routes or services in order to increase competition with the franchisees. But protests from would-be bidders for a franchise have prompted a rethink.

"The railway industry is still at an early stage of a period of fundamental restructuring," Mr Swift said. "I do not believe it would be wise to expose train operators or passengers to the risks of experimenting with uncontrolled competition. The introduction of competition needs to take place on a gradual basis."

Many roadbuilding projects face axe

The government is to review more than two-thirds of its roadbuilding programme following the publication yesterday of a report which found that new roads could lead to increases in traffic, our Transport Correspondent writes.

Dr Brian Mawhinney, transport secretary, said 270 road schemes now at planning stage would undergo extra assessment to judge their impact on traffic levels.

He also said future road spending would concentrate on improving the existing network. Seven big projects would be dropped from the government's current programme of about 360 road schemes.

The report, drawn up by the Standing Advisory Committee on Trunk Road Assessment, a group of independent experts, says the current methods of assessing road schemes could lead to an exaggerated view of their benefits.

The committee's findings could lead to the most fundamental review of the methods of assessing road schemes since the early 1970s.

The report concludes that present government methods for assessing road schemes underestimate the impact of "induced traffic," journeys which are made only because the building or improvement of a road makes them feasible or more convenient.

Environmental groups welcomed the report because it confirmed their view that building roads encourages more people to drive.

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Caravaggio, "Il Suonatore di Liuto"

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TELECOMMUNICATIONS
IN ITALY AND THE WORLD

NEWS: UK

Bomb may stall Irish peace

By John Murray Brown in Belfast

The Northern Ireland peace process appeared to be in danger of stalling yesterday, with republicans being criticised after the discovery of a bomb in Fermanagh the first incident since the IRA ceasefire three months ago.

An explosive device containing 2lb of semtex explosive was discovered in a furniture store in Enniskillen, after an anonymous call to the local police.

The Irish Republican Army (IRA), in a short statement yesterday, denied responsibility for planting the bomb.

However the find overshadowed the second session of exploratory talks between British officials and Sinn Fein, the IRA's political wing, and will underscore British demands to see the issue of the decommissioning of arms and explosives resolved before Sinn Fein is invited to engage in full political talks with the government and the other constitutional parties.

The issue is likely to high on the agenda at today's meeting between Mr John Major the UK prime minister and Mr John Bruton, the new Irish premier.

A spokesman for Mr Major said: "It makes clear why it is so important to deal with the problem of weapons and explosives... There can be no question of political representatives of paramilitary organisations entering into the peace negotiations process until their commitment to peaceful methods has been demonstrated."

The find is the first evidence of the use of semtex since the IRA ceasefire at the beginning of September. The IRA is the only paramilitary organisation known to possess semtex.

Mr Michael Ancram, a UK Northern Ireland minister, expressed disappointment that Sinn Fein declined to condemn the action. He said Sinn Fein has requested a further meeting in mid-January.

Mr Martin McGuinness, a senior Sinn Fein official, refused to condemn the action, saying "it was an incident of no great significance, and it certainly won't affect the peace process."

Speaking in Dublin before leaving for today's talks in London, Mr Bruton said he was "saddened" by the incident, but he stressed there were "certain unusual aspects".

Mr Bruton had insisted that weapons had to be handed over. But after his appointment as prime minister last week, he has said the issue should be dealt with "sensitively".

Trust must be won, Page 15

Angry passengers attack Cunard

By Neil Buckley

An angry passenger on board the liner Queen Elizabeth 2 in mid-Atlantic said yesterday that the liner should "never have set sail" with work still incomplete on a £30m refit. The comment came as ticketholders left behind by the liner besieged its owner Cunard, demanding compensation.

Cunard at first closed its doors to angry passengers outside its London headquarters, but said later it was making "tailor-made" compensation arrangements with the 500 passengers who were unable to leave with the QE2 from Southampton on Saturday because refitting work was still in progress on 100 cabins.

The compensation is believed to be based on Cunard's original offer of a full refund by Christmas, with a free transatlantic cruise next year and spending money of £250 ($410).

However, some ticketholders said they still planned to take legal action against Cunard, and passengers on board the liner said Cunard was likely to receive many compensation claims even from those who had travelled.

"Why the hell they ever put to sea with the ship in the state it was in on Saturday I just don't know," said one passenger who asked not to be named. "Some passengers have got cabins without running water and with sinks that are blocked. They are having a pretty torrid time," he added.

Since leaving Southampton the ship has hit force 10 gales, adding seasickness to the misery of passengers travelling in a ship which one contractor on board described as "worse than a building site".

About 190 passengers volunteered to accept compensation instead, but 80 boarded knowing the cabins were not ready.

Cunard was yesterday refusing to explain why the work had not been completed on time, or why it had informed passengers so late.

OECD expects two more years of steady growth

By Gillian Tett, Economics Staff

Britain is heading for at least two more years of steady economic growth, the Organisation for Economic Co-operation and Development predicted yesterday.

The Paris-based body, which represents 25 leading industrial nations, also says the present economic upturn should be healthier than previous recoveries. Inflation will remain relatively low even though unemployment will fall significantly, it adds in its latest half yearly outlook.

But the OECD urges the British government to raise interest rates again and predicts that bank base rates will rise from their current 6.25 per cent to 7 per cent next year and 7.5 per cent at the start of 1996.

"The current recovery differs from previous upswings in several respects," the OECD states. "Controlling inflation may be possible with lower interest rate rises that in the past as monetary and fiscal policies have been tightened much earlier in the cycle."

One factor that may help to keep inflation down, the OECD suggests, is the relatively high level of spare capacity believed to exist in the UK economy.

In spite of mounting concern among City of London economists that the recent strong growth could be overheating the economy, the OECD says the UK has more spare capacity than any of the leading seven industrialised nations. It calculates that the UK output gap, which represents the difference between the potential and actual growth, is 4 per cent.

Most senior finance executives are optimistic about the outlook for their businesses, says a survey by the Chartered Institute of Management Accountants. Only 7 per cent of finance directors or financial controllers who were questioned for the survey were pessimistic about the coming year. More than 75 per cent of the 500 senior managers interviewed were "fairly or very optimistic" about the outlook. The number of pessimists is much lower than six months ago.

UK NEWS DIGEST

Coca-Cola sees market share fall below 50%

Coca-Cola's share of the £670m ($1.1m) UK cola market has fallen below 50 per cent for the first time, say figures from Taylor Nelson AGB, the market research group. The figures - derived from AGB's panel of 8,500 consumers whose grocery purchases are monitored electronically - show that Coca-Cola's market share fell from 54.6 per cent in October to 42.2 per cent in the last week of November.

That was shortly after the arrival of new colas from Mr Richard Branson's Virgin group and supermarket chain Safeway, and six months after Classic Cola was launched by J. Sainsbury, the UK's biggest food retailer.

AGB's figures highlight the threat posed to Coca-Cola, which has dominated the market since its UK launch in 1921, by this year's new products – all of which are manufactured by Cott, the Canadian soft drinks group. Coca-Cola has begun a £4m advertising campaign attacking own-label and copycat brands.

Shake-up for gains tax

Reform of taxes on gains and losses in foreign exchange was announced yesterday. New laws allowing British businesses to operate on a similar basis to competitors in other countries will operate from March 23 next year. Pressure for reform has built up over 20 years, and the government published draft proposals in 1989. It considers that the new rules will help preserve London's status as a financial centre.

The new system taxes gains and losses on monetary assets such as cash and bank deposits, and on liabilities when they accrue – in line with commercial accounting rules. The changes will affect mainly UK companies that take out finance in other countries' currencies and those with assets held in currencies which are subject to significant exchange rate fluctuations.

The rules will permit them for the first time to offset losses on exchange fluctuations against tax. Previously they have been taxed on any exchange gains without being allowed to take any corresponding allowances for losses.

Navy deal for GEC-Marconi

A £630m contract for Royal Navy submarine torpedos was won by GEC-Marconi Naval Systems yesterday. Mr Roger Freeman, defence procurement minister, said the deal for Spearfish torpedoes would create 40 jobs at the company's plant at Waterlooville, Hants, and safeguard jobs in other companies: 80 per cent of the manufacturing and processing work will be sub-contracted.

Christie's ahead of Sotheby's

For the first time in almost 40 years Christie's has edged ahead of Sotheby's as the world's leading fine art auction house. In the autumn season Christie's recorded a 10 per cent rise in turnover from $357m to £398m ($625m). Sotheby's sales fell from £428m a year ago to £370m.

Over the year as a whole Sotheby's is slightly ahead, with a turnover of £862m compared with £818m at Christie's. But while Christie's gained 12 per cent in sterling terms in 1994, Sotheby's sales only managed to hold steady in dollars and fell back in sterling.

Christie's was helped by two extraordinary sales: the Leonardo manuscript known as the Codex Hammer which soared past its estimate to make $30.8m (£19.2m) in November, the highest price paid for any object at auction since 1990, and the £21.3m realised in London by Lord Cholmondeley's sale of furniture and works of art from Houghton Hall in Norfolk.

Sotheby's sales were 9 per cent up in the UK and 30 per cent higher in Asia, which is regarded as the market with the greatest potential. Most sectors of the art world showed higher turnovers. The area which fuelled the boom of the late 1980s, Impressionist and Modern art, however, remains convalescent.

Commercial Union arm fined

Financial services regulators have handed out a fine of £105,000 ($172,200) to the life insurance subsidiary of Commercial Union, one of the UK's largest composite insurers, for charges relating to the quality of one of its representative companies.

Compensation totalling £185,000 has already been paid to 58 investors by CU Life Assurance, and the subsidiary has undertaken that other investors who would otherwise suffer will also be compensated. It will also pay the regulator's costs of £25,000.

The problems relate to the activities of an appointed representative – a company "tied" to a life insurer and selling its products only – where CU ended the relationship over two years ago.

The penalty was imposed by Lautro, the self-regulating organisation for the life insurance industry which has been superseded by the Personal Investment Authority, which acts as general regulator for retail financial services.

Holiday price war may start

Lunn Poly, the UK travel company, yesterday cut the price of summer 1995 holidays by 12 per cent in a move which may start an early price war.

Last summer, Lunn Poly and rival company Going Places indulged in a price war which saw discounts of up to 15 per cent to attract early customers for 1995 summer holidays. Other travel companies also offered big savings. But the move was only partially successful and the travel industry is now determined to make the most of the traditionally heavy post-Christmas booking period.

Lifer goes Christmas shopping

MPs yesterday attacked yesterday attacked a decision to allow a woman who has served three years of a life sentence for murder to spend a day shopping in the northern England city of Leeds. A taxi took the 21-year-old woman, who was sentenced forkilling her great aunt with an axe, to Leeds at a cost of £100. Mr Timothy Kirkhope, Conservative MP for Leeds North East, said: "A lot of law-abiding people cannot afford to go on shopping sprees, but who's going to pay their fares?"

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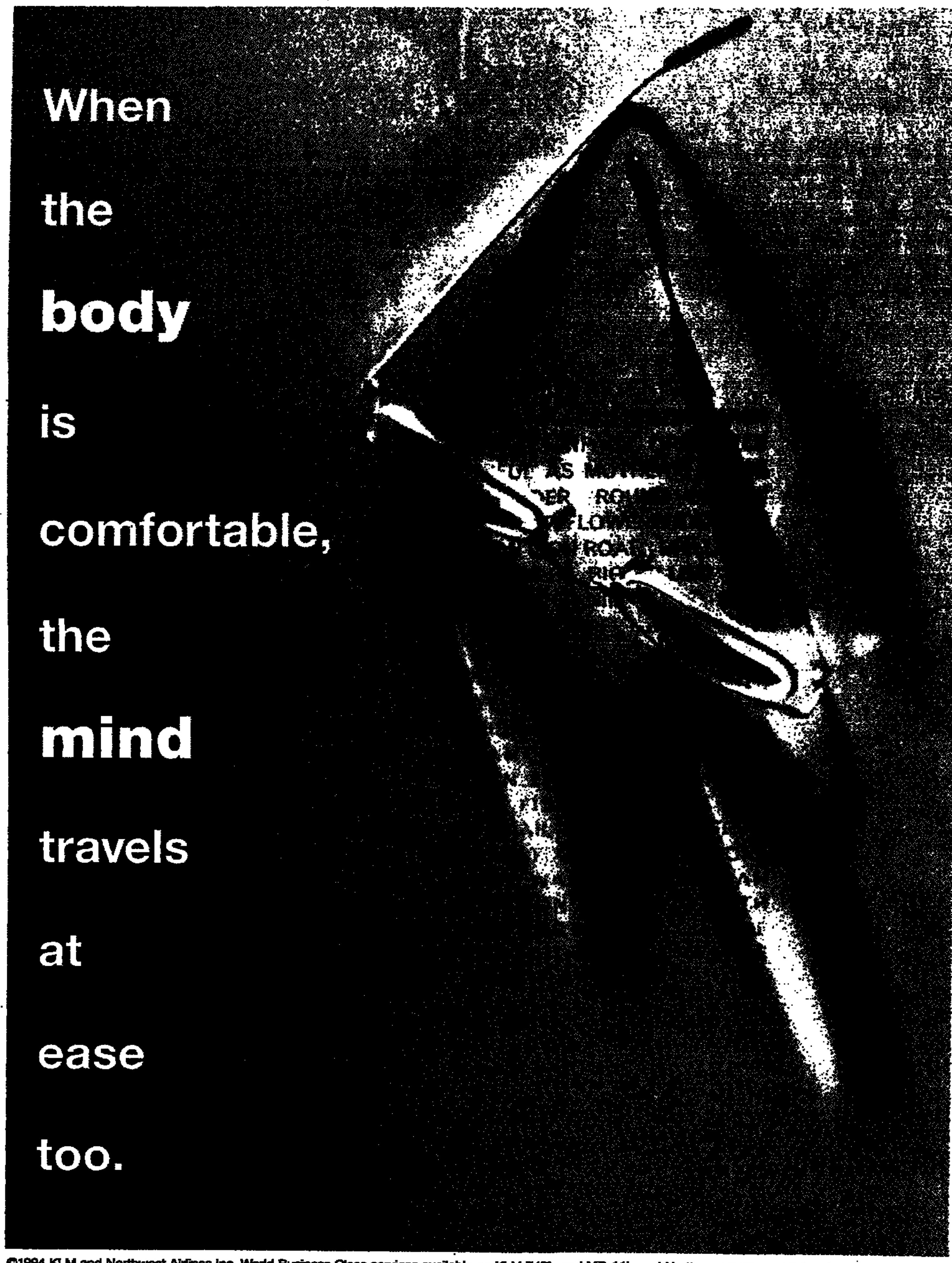

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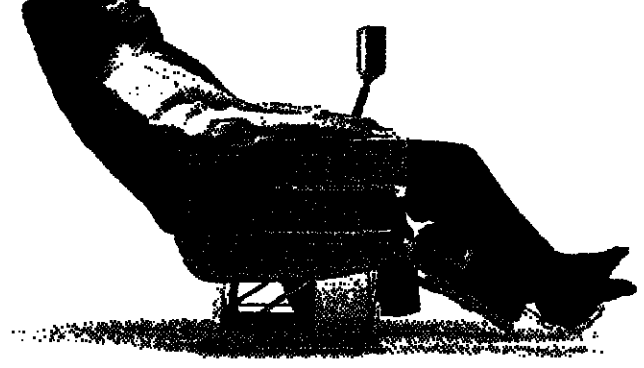

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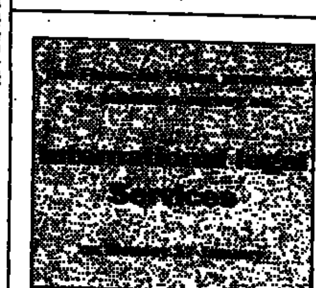

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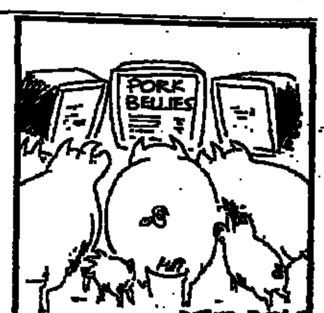

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TELECOMMUNICATIONS
IN ITALY AND THE WORLD

TECHNOLOGY

James Buxton reports on how a Scottish disc drive maker plans to conquer the world market

Calluna's future on the cards

In a pressurised cleanroom inside the Scottish plant of the electronics company Calluna, men and women wearing pale blue suits and white masks which leave only their eyes showing are assembling delicate miniature hard disc drives. They look like astronauts inside a space station.

Their goal is to make Calluna a world leader in the market for 1.8in hard disc drives, products that cover no more than the area of a credit card.

Calluna was formed in late 1991. After three traumatic years surviving on a tiny amount of capital, it raised £10m on the London Unlisted Securities Market in late October. It now has a market capitalisation of £50m and the resources to expand.

Calluna's 1.8in disc drives, which it calls Callunacards, stand only 10.5mm high. They can be installed as an embedded component of a notebook computer, but more importantly they also come in a portable version that can be inserted in and removed from any PC that has an expansion slot conforming to the standard set by the Personal Computer Memory Card International Association (PCMCIA).

PCMCIA slots, now being installed in many new notebook PCs, are widely seen as the gateway to a new method of moving data between PCs – transferring an entire credit card-sized disc drive which would either be the PC's main drive or a supplementary one.

The new 1.8in drives have very high storage capacity for their size – Callunacards, for example, range from 70MB to the recently launched 260MB product, the biggest in its category. But they need it: hard disc drives are becoming bigger as software companies produce programs that are ever hungrier for storage space (Microsoft's Windows Office needs about 82MB for the program alone).

Norman White, Calluna's founder and managing director, envisages that one day travelling PC users will carry only their 1.8in disc drives with them, slotting them into a host PC when they need to work on their data. "This is the floppy disc of the future," he says. "The personal element in personal computing will become the portable disc drive."

There are also openings for Calluna's products for non-computer use. A company in Spain is developing a "speech integrator" using the Callunacard from which visitors to museums and tourist attractions will hear commentaries in different languages. The miniature drives can also be used to store and transport the recordings of security video cameras.

Small beginnings: Calluna aims to develop a miniature 500MB drive by 1997 and later progress to 1,000MB

White was a founder and technical director of Rodime, the Scottish disc drive company which in 1983 produced the world's first 3.5-in hard disc drive. But Rodime made a series of strategic blunders and ceased manufacturing in 1991. It now lives by licensing its past know-how.

All Calluna's senior executives worked for Rodime, making the new company Rodime's technological heir. "These people have been around the business for a long time," says Bob Katsive of Disc/Trend, the San Francisco-based market research company.

The team has succeeded in building up Calluna and developing innovative products despite having raised only £5m in venture capital, plus grants, before the flotation – money was so short at times that the 40 staff had to take salary cuts.

Calluna's disc drive components are made and tested to its specifications by suppliers in East Asia, England and California. They are then assembled in Calluna's plant at Glenrothes in Fife.

It has established relationships with computer manufacturers in the US and Europe which have confirmed the compatibility of its products. In Europe it has a network of specialist distributors, while in the US a company rebadges Calluna's products for sale under its own label.

So far Calluna's biggest orders have been for two consignments of 2,500 units each for distributors in the US and the UK. The order book is growing, though the 25,000 sq ft plant is tooled up to produce 50,000 drives a year and could ultimately be expanded to make 450,000 annually.

Despite its technological prowess Calluna faces awesome challenges, as the two pages of risk factors listed in its flotation prospectus attest.

Its strategy has three elements. First, White says, it needs always to be at the leading edge of disc drive technology. As a small company it cannot compete with larger disc drive makers on price in high volume manufacturing. Instead it must use its engineering expertise continually to incorporate more storage capacity on to its drives. White envisages Calluna developing a miniature 500MB drive by 1997 and later progressing to 1,000MB.

Second, however, it still needs to develop a good level of business with original equipment manufacturers in the PC industry making less powerful drives, even though margins here are not very attractive. It could later license or sub-contract this part of its output.

Producing in some volume will enable Calluna to buy components more cheaply to develop the third leg of its business, the higher margin business of making removable PCMCIA drives which could be sold by dealers direct to the consumer.

However the market for 1.8in drives is still in its infancy. Disc/Trend forecasts that as more notebook PCs are manufactured with PCMCIA slots, the number of PCMCIA disc drives shipped worldwide will rise from 360,000 this year to more than 4.3m in 1997.

But this forecast and others by Dataquest have yet to be confirmed by reality and White says the market for removable drives is still moving forward slowly, though that for embedded drives is growing faster.

Only three competitors, the US companies Maxtor, a long-established disc drive maker, and two recent start-ups, Integral and MiniStor, have products in the same category as Calluna. However, Katsive believes bigger manufacturers such as Seagate, Conner, NEC and Hitachi which had earlier dabbled in the 1.8in drive market will return to the market as demand improves, possibly late next year.

Katsive says survival for independents like Calluna depends on staying ahead of the giants. "It will have to be fleet of foot," he says.

Aluminium can makers think small

Kenneth Gooding on moves to reduce manufacturing costs

Kaiser Aluminium, part of the Maxxam Group of the US, says it has developed a "micro mill" process that could substantially reduce capital and operating costs for producing can sheet, an aluminium alloy from which beverage cans are made.

Kaiser says the capital cost would be \$25m (£15.2m) to \$30m for a micro mill with an annual capacity of 30,000 to 50,000 tonnes. It also claims that the cost of converting metal into sheet is only half that of a conventional mill.

"This size of mill would be ideal in developing can markets," says Dick Evans, Kaiser's corporate vice-president, flat rolled products. "It could provide stock for two can-making plants which could be close by. It would be easier to raise the capital and it would avoid the heavy cost of transporting can stock from the US, Japan or Europe."

Can sheet, or can stock, is produced mainly in large plants costing from \$500m to \$1bn and equipped to produce 225,000 to 500,000 tonnes of can sheet a year. Separately, Golden Aluminium, which makes cans for Adolph Coors brewing group of the US, has tried in the past two years to convince the industry that "mini mills", which produce the material on a small scale, will work. Mini mills need less capital and therefore do not have to produce such large quantities of can sheet to be viable. Golden's new mill at San Antonio, Texas, has the capacity to produce an annual 90,000 tonnes of can stock and the capital cost was \$168m.

To achieve cost savings, both Golden and Kaiser have moved to a different method of producing can sheet. The most expensive part of the conventional process is hot rolling, which rolls the metal until it is the required thickness. Each hot mill costs \$15m to \$25m. To eliminate the need for the big aluminium slabs and hot rolling, Golden and Kaiser employ continuous casting techniques. This involves molten metal, adjusted to the right composition, being poured into a holding box with a chilled mould down one side. Metal is poured continuously into the mould, as it is propelled along by a moving belt, to produce a thin slab already the width needed by the cold mill and only 3mm thick. The metal flows on to cold rolling where mills are placed in tandem (three or four in a line) to save space.

The metal is rolled through these mills instead of moving backwards and forwards in a reversing mill in the conventional process.

There are drawbacks, however. Only certain alloys are suitable for continuous casting. Also, some competitors have raised questions about the surface finish – soft drinks companies require a sparkling surface to the cans they use. There are questions, too, about the Golden Aluminium process. "Golden claimed great things during construction of its mill but the start-up has been costly and long. So many observers are sceptical," says Nick Mason at the CRU International consultancy.

Golden admits start-up costs so far at its San Antonio mill are \$35.8m. However, it is producing 7bn cans a year and has an outside customer in Reynolds Metals, the second-largest US aluminium group. Golden says the project needs only one more customer to become viable.

Kaiser says it will have spent \$20m on its micro mill project by the middle of 1995. By late 1995 it hopes to have started on a micro mill in the US.

A good deal for the unions

Unison, Britain's biggest trade union, has developed a software system that will help union negotiators deal with decentralised bargaining across the public services.

By using a mixture of electronic communications and databases, negotiators can now receive support and data wherever they are working.

The union spent £300,000 this year on developing a software package, Local Negotiator, which it is offering to its 2,500 branches. It includes a claim calculator for use in preparations for bargaining and during negotiations.

By entering some basic figures, negotiators can see what the effect of a pay claim or offer will be on members or on the employer's pay bill. A welfare rights package enables negotiators to calculate the effect of pay increases for members claiming benefit.

Alan Jinkinson, general secretary, said: "Negotiators in the field, activists or staff can prepare claims, assess management offers and send information back to head office within seconds. We are leading the trade union movement in these developments, and are ahead of public service management in many areas."

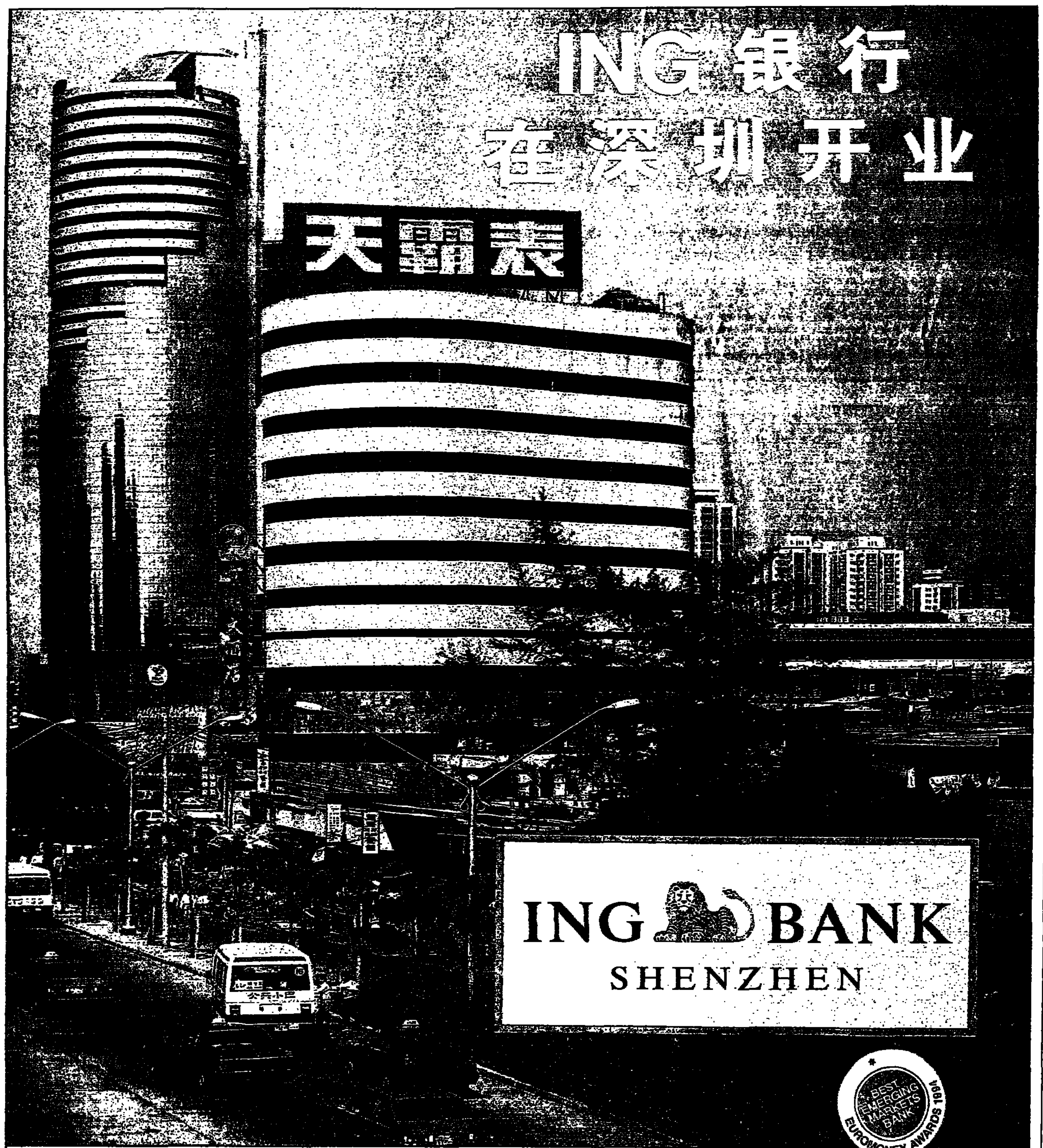
A bargaining support project depends on the exchange of current information, which branches can join by subscribing to Poptel, a non-commercial telecommunications system. Members can also access and contribute to union bulletin boards.

Unison estimates that about half its branches already have a personal computer. Some 140 branches are testing the software, of which 30 are fully on line.

In common with all other UK unions, Unison has undertaken a campaign to sign up its 1.3m members to pay their union subscriptions by employer's check-off from their salaries, and has so far signed up 92 per cent.

Jinkinson said: "Once all the sign-up information from the regions is entered on to our central computerised membership system, we shall be able to make substantial savings on direct mailing costs and target our membership in terms of particular surveys, one-off initiatives and longer-running campaigns."

Andrew Bolger



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MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

BSI seeks views on safety systems

Public comment is being sought by the British Standards Institution on its guide to health and safety management systems. The standard likely to follow consultation will be linked to BS EN ISO 9000, the European equivalent of BS 5750, but is unlikely to become a certifiable standard.

BSI says the cost to employers of work accidents and work-related ill-health is estimated to be equivalent to up to 10 per cent of UK company gross trading profits. The organisation says a properly managed health and safety system would save money.

The guide has been written to allow the "typical manager" to design a system that allows them to meet the requirements of the 1992 Management of Health and Safety at Work Regulations, BSI says.

Comments are welcome until February 28 1995. The Guide to Health and Safety Management Systems is available for £13 from BSI, 0181 996 9000.

Forearmed with Foresight

Durham University Business School has launched a Foresight project designed to anticipate changes in the business environment for smaller businesses and to predict trends.

A quarterly publication will draw on experts from industry and academia as well as policy makers to produce "policy-orientated research".

Issues as wide ranging as the ageing of population, and the opportunities this will generate, and the impact of regional development policy on the establishment of faster growing companies will be covered.

The quarterly briefing will be available from Durham Business School and NatWest Bank, its main sponsor. Data will also be available on disc for subscribing members. More information is available from Anne Jenkins, Durham Business School, 0191 374 2237.

Nourished by funds: Chris and Hilary Bradshaw's food company survived a lean period thanks to investment by 3i — Huw Evans

Sowing seeds of regeneration

Roland Adburgham on funding for companies in areas that have lost their traditional coal and steel jobs

Nestling beneath Castell Coch, a 19th-century fantasy castle in south Wales, is the regional base of British Coal Enterprise. A few miles away, in Cardiff docklands, is the regional office for British Steel (Industry).

The location of both these job-creation arms of the two industries has symbolism. Castell Coch was built by the Marquess of Bute with fortunes made from the coal of the Welsh valleys, where deep-mining has almost ended. BS(I) is housed at what was East Moors steelworks, which closed in 1978 with the loss of nearly 6,000 jobs.

Both organisations seek to stimulate regeneration by encouraging businesses to grow within the local communities. They provide funding to enterprises which find it hard to obtain risk capital elsewhere, at least at such favourable interest rates. Both also offer managed workspace with easy lease terms.

Today, BCE's future is in the balance with the privatisation of its state-owned parent British Coal. A government announcement was due before the end of November but last week Charles Wardle, junior energy minister, said: "The government and British Coal are currently exploring options for the services provided by BCE and no final decision has been taken."

BCE was established 10 years ago and BS(I) nearly 20 years ago to offset job losses in coal and steel communities. Their futures could be finite because the industry restructurings for which they were set up are largely completed. Yet there is still a need for such services. In the Welsh valleys, there are pockets of male unemployment of 30 per cent, and in Scotland BS(I) is still tackling the effects of the Ravenscraig closure.

To justify a future, the organisations must demonstrate that they have a cost-effective impact on permanent job creation.

Nigel Guy, director of 3i venture capital group in Wales, says that as BCE and BS(I) are not fully commercial animals – having a social responsibility role – they cannot be judged solely by private-sector standards. "But at the smaller end, they have done quite a reasonable job. They have provided real seedcorn capital for businesses and a number have gone on to larger things."

Tillery Valley Foods was set up 10 years ago by husband and wife Chris and Hilary Bradshaw to make quality chilled and frozen food at Abertillery, in the Welsh valleys. The Bradshaws financed the start-up with £60,000 made from selling their Thames Valley house. BS(I) provided a similar amount in preference shares and loans, subsequently redeemed and repaid.

Two years ago, 3i invested in the company by taking a 10 per cent stake. "BS(I) were sympathetic backers and saw us through the lean first five years when we could have gone bust," Bradshaw says. "This year, we should make a profit of over £1m. We have always exceeded our job creation forecasts and now employ 180 people."

While this may be an exceptional success, BS(I) has been a self-financing subsidiary of British Steel even before the latter's privatisation in 1988. BCE, however, receives £7m a year from its parent, with which it also has a £10m a year contract to deliver retraining and outplacement services for ex-miners. It has also built up consultancy work for other companies in the UK and abroad. For the government, this makes its future more complex to determine.

BCE, which has a staff of 90 seconded from British Coal and another 400 on short-term contracts, does not seek to profit on its business funding because of the risk and low margins. It will make unsecured loans up to £25,000 on five-year terms. But it can lend much more in loans or equity. This summer it invested £250,000 in Techboard, a hardboard factory at Ebbw Vale.

In common with BS(I), it is not simply filling what is seen as an equity gap. "With every investment client, we offer a business support service – a dual role to police the investment and also to try to help if there is a problem," says Jonathan Thomas, BCE's business funding manager in south Wales. "Sixty-six per cent are still trading five years on." He adds: "One of the myths we have to overcome is that BCE is just for ex-miners – they are very much in a minority."

David Hughes, BS(I) regional manager for Wales, says: "We feel comfortable lending in the £25,000 to £75,000 range. We're looking for companies to grow irrespective of the starting point. If it is likely to stay a one-man business, we wouldn't be interested."

The organisations stress they act in partnership with other agencies and it is businesses which create jobs. BCE says it achieved a milestone of 100,000 "employment opportunities" in 1993-94, which Philip Andrew, chief executive, described as the "most successful year" in its history. BS(I) says it has had a similar number of "job commitments".

Although BS(I), which has a staff of only 36, lost £1.2m in its last financial year, Vernon Smith, its chief executive, says: "There is no pressure from British Steel plc to try to cause us to be more profitable. The aims of BS(I) are not in essence profit-making. Having said that, I still have to run this operation as a business."

Both organisations are putting more emphasis on supporting small- and medium-sized enterprises rather than start-ups. Smith explains: "We realise that it's probably better to help the small business that actually operates. If you back those, then you're backing someone who has a very good chance.

"Over the last six years our failure rate has been 25 per cent of the capital we have put up. Venture capitalists think of that as a fair figure. Last year our losses in relation to capital were 16.9 per cent. We were delighted – we're obviously past the worst of the recession."

Richard Gourlay meets a man who has seen deals from both sides

Benefits of an insider's view

It is not clear whether Derek Lewis, who joins Schroder Ventures on January 1, is a poacher turned gamekeeper or gamekeeper turned poacher. Having raised money from private equity providers for two businesses in the last 10 years – once as a customer of Schroders – he is crossing the tracks to become a director advising on deals in the electronics industry.

Lewis has not always had the smoothest of relations with his new employers. As he was negotiating the last details of the buy-out of parts of computer company MBS Product Sales in 1989, Schroders "tweaked" the terms, leaving him and his management team with a reduced stake in the business.

"At the end, I was happy," Lewis says. "But it felt at the later stages that the screw was being turned and it was not particularly productive." Though a relatively widespread practice, it is one which Schroders says it is now leaving behind.

For management teams seeking capital, dealing with someone who has negotiated from their side of the table may be a welcome development. From Schroders' point of view, Lewis's arrival brings more than just knowledge of the other side of the deal. He also has the kind of industry insider's understanding of a market place which Schroders believes is an essential ingredient for successfully competing with other providers of private equity.

Lewis is in the unusual position of having not only led a buy-out but started a company as well. In 1984, after 10 years with IBM, Lewis and a partner bought a small computer broker, Combro, with finance from Citicorp Venture Capital. They intended to build a distributor of mid-range computers.

But the company evolved along quite different lines to that laid out in the business plan on which Lewis raised the finance. Combro did sell mid-range computers, but within 18 months it had also become IBM's biggest distributor of PCs in the UK.

Its success was based on buying large volumes, supplying dealers at better prices than they would get direct and by providing companies with very fine pricing and swift service.

"The original plan was for a perfectly valid business but it would not have become a dominant force," Lewis says. "The innovation was in recognising that the terms of the IBM contract allowed you to sell on to other dealers." When Lewis sold Combro to MBS in 1987, sales had grown from £2m to £40m. Two years later he was buying the business back as part of the deal financed by Schroders after MBS management ran into trouble with its other activities. And by 1992, the business had been sold to ICL for an undisclosed amount.

Lewis is joining Schroder Ventures at a time when it and Schroders' affiliates have been raising new capital for a number of its funds. Earlier this year it successfully raised a third UK buy-out fund at \$225m (£137m).

Poacher or gamekeeper? 'I prefer to look at it as bringing the two sides together'

Shortly afterwards it closed a \$100m International Life Science Fund and funds for Italy and Canada. And by Christmas it should have raised \$180m for an Asian development capital fund that is likely to close at \$250m.

This fund will make Schroders one of the largest private equity investors in the region behind Prudential Asia. It will mainly provide development capital to businesses taking advantage of growing markets in growing economies, Schroders says.

By comparison the UK, where Lewis will focus most of his attention, is relatively mature. Private equity investors are increasingly likely to require infusions of industrial expertise like that provided by Lewis. But does he see himself as poacher or gamekeeper? "I prefer to look at it as bringing the two sides together," Lewis says. "Every now and then the rabbit will jump into the pot of its own accord."

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LEGAL NOTICES

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NOTICE IS HEREBY GIVEN pursuant to Rule 11.2 of the Insolvency Rules 1986 that a first dividend is intended to be declared in the above matter within 4 months of 11th January 1995. Any creditor who has not lodged a proof of debt by 10th January 1995 will be excluded from this dividend. Creditors should forward their claims to N Ruddock, Joint Liquidator, Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY.

Dated this 16th day of December 1994

N. Ruddock
Joint Liquidator

IN THE MATTER OF BIBBY (CYPRUS)
AND
IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 19th day of January 1995 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Costas L Mavrocordatos, ACA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 20 th day of December 1994
Costas L Mavrocordatos
Liquidator

BUSINESS AND THE LAW

Ruling on time limits clarified

EUROPEAN COURT

European Community law does not preclude the application of a national rule which limits the period for which invalidity benefit may be payable under an EC directive, even where the directive has not been properly implemented, the European Court of Justice ruled recently.

In 1970 Mrs Elsie Johnson gave up work to look after her daughter. In 1980, she tried to go back to work but was unable to do so because of a back complaint, for which she was granted non-contributory invalidity benefit.

In 1983, she started living with a man and benefit was stopped because, under English law at the time, a woman cohabiting with a man had to show not only that she was unfit for work but also that she was unfit to carry out normal household duties. That criterion did not apply to males.

In 1984, non-contributory invalidity benefit was replaced by a severe disablement allowance which could be granted to persons of either sex under identical conditions. The allowance could be claimed automatically by persons entitled to the old benefit without having to satisfy the new allowance conditions.

Mrs Johnson was refused automatic entitlement. This refusal was based on domestic legislation, whose effect was to deny an applicant the allowance if payment of the non-contributory invalidity benefit had not been claimed before its abolition.

The Social Security Commissioners referred the matter to the European Court of Justice to determine whether such a rule was compatible with the relevant EC directive.

The Court held that it had been possible to rely on the provisions of the directive following its implementation in 1984 in order to set aside national rules on the entitlement to benefits which discriminated against women. The provisions also entitled women disadvantaged by maintenance of the discrimination to be treated in the same manner as men in the same situation.

Following this ruling, the Social Security Commissioners granted Mrs Johnson the severe disablement allowance, but only with effect from August 1986, 12 months prior to her claim. This restriction on her rights to the allowance was made under domestic legislation.

Mrs Johnson appealed to the Court of Appeal. Her argument centred on the ECJ's decision in the Emmott case. In Emmott the ECJ ruled EC law precluded the competent authorities of a member state from relying on national procedural rules imposing time-limits on legal actions in proceedings brought by an individual to protect directly effective rights conferred by a directive where that directive had not been properly implemented by the member state.

The Appeal Court sought a preliminary ruling from the ECJ on the scope of the Emmott judgment in relation to Mrs Johnson's case. It wanted to know whether the domestic rule restricting the right to the allowance to a fixed period prior to the date of a claim was compatible with EC law.

Although the ECJ found the directive had not been implemented correctly and the domestic rule was a national procedural rule on time-limits, it ruled its finding in Emmott should not apply.

The Court said its decision in Emmott had been justified by the circumstances of that case, in which a time-bar had the result of depriving the applicant of any opportunity to rely on equal treatment rights under the directive.

In contrast, the domestic rule in the present case merely limited to one year the retroactive effect of claims for invalidity benefits.

The Court had already ruled that the rights of women to claim such benefits had to be exercised under the conditions imposed by domestic law provided they were no less favourable than those relating to domestic actions and provided they were not framed so as to render it virtually impossible for individuals to exercise their EC rights.

In the present case, those criteria were fulfilled. The Court ruled, therefore, that the domestic legislation in question was compatible with EC law.

C-410/92: Johnson v Chief Adjudication Officer, ECJ FC, December 6 1994.

BRICK COURT CHAMBERS, BRUSSELS.

Justice seeks its price

Robert Rice on the arguments over curbing legal aid in the UK

The government's response to the soaring legal aid bill of the 1980s was to cut back on the numbers eligible for financial assistance, curb lawyers' pay, impose standard fees for criminal cases and introduce legal aid franchising.

The medicine was hard for lawyers to take, but appears to have worked. Legal aid expenditure is no longer rising at a rate of almost 30 per cent a year. The increases in the past two years have been below 10 per cent. Future rates of increase will be even lower.

The eligibility cuts were particularly successful. The government reduced financial eligibility for legal aid in April 1993 so that people with incomes above the level of income support would no longer qualify for free legal advice and would have to pay a much larger contribution towards the cost of legal aid. The government estimated the cuts would save £43m in 1993-94, £110m in 1994-95 and £173m in 1995-96. Having made the cuts it expected total expenditure to reach £1.54bn in 1995-96.

In fact, legal aid expenditure in 1993-94 was some £73m less than provided for in the supply estimates. Expenditure in the current year is also expected to be underspent by at least £70m. As a result, the government has reduced the provision for the next two years by more than £70m in each year. Expenditure is now expected to rise to £1.6bn in 1997-98, just 4 per cent more than the original estimate for 1995-96.

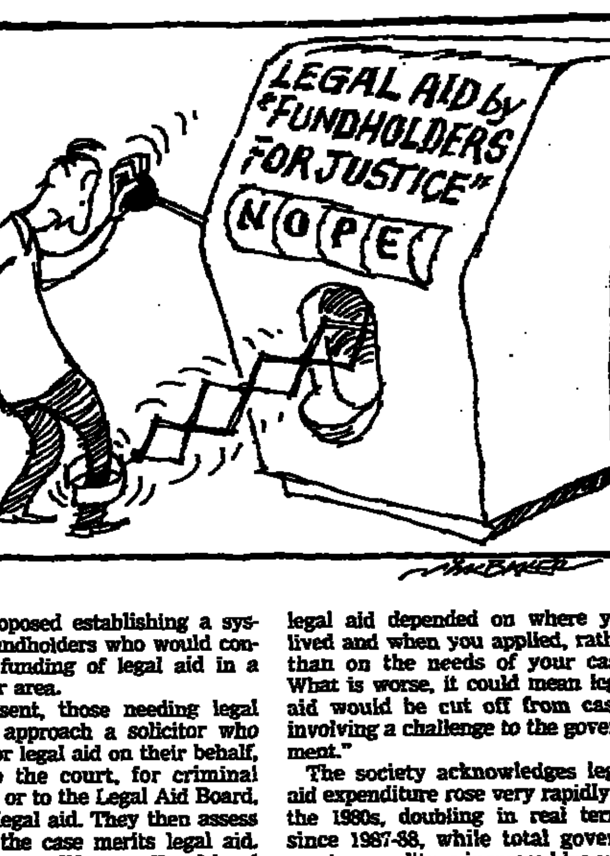
Given the apparent success in holding back legal aid expenditure, the Law Society, the solicitors' governing body, has argued the government could now afford to relax its grip slightly.

But rather than restoring the eligibility cuts – something Lord Mackay, the Lord Chancellor, promised he would do as soon as it became feasible – the government seems intent on further tightening control of the legal aid bill.

Next spring Lord Mackay will publish a green paper outlining plans to make legal aid a cash-limited scheme controlled by "fundholders for justice" along similar lines to the GP fundholders system.

The idea was first mooted in July in a paper by the Social Market Foundation, a right-wing think tank.

The paper was written by three members of the advisory group assisting the Treasury fundamental review of the expenditure of the Lord Chancellor's department, part of the purpose of which was to examine access to publicly funded legal services and the options for ensuring funding is provided in as cost-effective a way as possible. The



paper proposed establishing a system of fundholders who would control the funding of legal aid in a particular area.

At present, those needing legal aid first approach a solicitor who applies for legal aid on their behalf, either to the court, for criminal legal aid, or to the Legal Aid Board, for civil legal aid. They then assess whether the case merits legal aid. Those who qualify are offered legal aid so long as they also meet the financial eligibility requirements and pay any contribution which may be ordered.

Under the proposed fundholder scheme, the fundholder would be the first point of contact. Fundholders would determine what services people required and seek the most cost-effective means of providing them. They would have a limited budget at their disposal. The idea was well received by the government.

The Law Society is up in arms, however. It says the Social Market Foundation's analysis of expenditure trends is out of date; its economic analysis of the way legal aid operates ignores fundamental features of the legal aid system; and the fundholder scheme would turn legal aid into a lottery.

Mr Charles Elly, Law Society president, says: "Cash-limiting would mean that whether you got legal aid depended on where you lived and when you applied, rather than on the needs of your case. What is worse, it could mean legal aid would be cut off from cases involving a challenge to the government."

The society acknowledges legal aid expenditure rose very rapidly in the 1980s, doubling in real terms since 1987-88, while total government expenditure increased by only 14 per cent.

But it says many of the factors behind the increase reflect deliberate government policy. Among these were:

- The creation of a statutory duty solicitor scheme to provide advice at police stations. That cost £68m in 1993-94.
- A rise in the number of expensive serious fraud trials. The estimated cost to the legal aid fund of the failed prosecution of Mr George Walker, former head of Brent Walker, is £5m.
- Increased public awareness of available legal remedies.
- More generous legal aid for children.
- The success of the green form scheme under which people receive free initial advice on a legal problem.

At the same time, the society says, the average costs of cases also rose. This was partly because cases took longer to prepare thoroughly. Solicitors had to consider such things as advance disclosure of prosecution statements in criminal cases, while in civil cases the increased burden of discovery of documents and the greater use of expert witnesses drove costs up. Moreover, there was also a significant increase in the hourly rates paid in civil cases as county courts increasingly allowed realistic fee rates following a High Court ruling on the matter.

The society also say the foundation's economic analysis of legal aid was wrong. The foundation argued legal aid was subject to "supplier induced demand" – services were delivered because lawyers wished to provide them rather than because clients needed them. But that analysis ignored the controls on the grant of legal aid and lawyers costs exercised by the courts and the Legal Aid Board, the society says.

Its main objection to the fundholder scheme is that cash-limiting would change legal aid from a service to which all those who meet the qualifying conditions are entitled into a discretionary benefit. That would defeat the purpose of legal aid, which is to enable criminal trials to be conducted fairly and to enable the government to meet its responsibility for ensuring access to justice in civil disputes. Cash-limiting, it argues, would mean the legal aid scheme operated inconsistently in different parts of the country, and at different times of the year, as the money ran out more quickly in some areas than others.

It would also enable the government to make covert cuts simply by underfunding the service rather than having to bring regulations before parliament whenever it wanted to change the scheme. Legal aid for challenges to the government could be cut under the guise of giving priority to bread and butter cases.

The legal profession recognises that it must live with a tighter legal aid budget in future. The Labour party has made it as clear as have the Conservatives that there will be little additional funding for legal aid. But with legal aid expenditure now under control the case for the draconian measures suggested by the Social Market Foundation has not been made, the society says.

A better approach would be to make the justice system itself more affordable. The Lord Chancellor has appointed Lord Woolf, the Law Lord, to review the civil justice system. Solicitors believe Lord Mackay should wait until Lord Woolf reports before taking action which, although popular with the Treasury, would not promote good and open public administration.

City thefts take the biscuit

City law firms are facing a chocolate biscuit crisis.

Pilfering by staff of biscuits destined for client meetings is forcing city firms to take drastic action.

Simmons & Simmons has saved between £10,000 and £20,000 a year by forbidding staff, even heads of department, to eat chocolate biscuits during meetings with clients.

At Clifford Chance, a member of staff was given a formal reprimand recently after issuing more than the permitted two chocolate biscuits per guest.

Clyde & Co initially switched from four-finger to two-finger Kit Kats, but has now gone further by offering only Cadbury's Snacks.

Senior partner Michael Payton says the savings were "considerable, mainly because we have been able to sack the half of the personnel department who were dealing with nothing but complaints about biscuits".

At DJ Freeman, biscuit costs have proved difficult to control because of a form of the small boys' custom of "scrumping" in apple orchards, known as "hoovering". Staff loiter until conference rooms are empty, then dart in and fill their pockets.

Senior partner David Solomon says it was hard to combat because "suspects include lawyers at the most senior levels".

The crisis has led firms to incorporate biscuits in negotiating tactics. At Freshfields, Manchester Airport Enquiry meetings were speeded up by awarding a chocolate biscuit to whoever made a point on which all parties could agree.

Procedures elsewhere in the country vary. In Yorkshire, the duty of hospitality is taken very seriously. At the Sheffield office of Oxley & Coward, a heaped plate of Cadbury's Shapes is put on the table when meetings begin, and replenished when empty.

This adds an extra dimension to the threat of competition from regional law firms.

Nick Gillies

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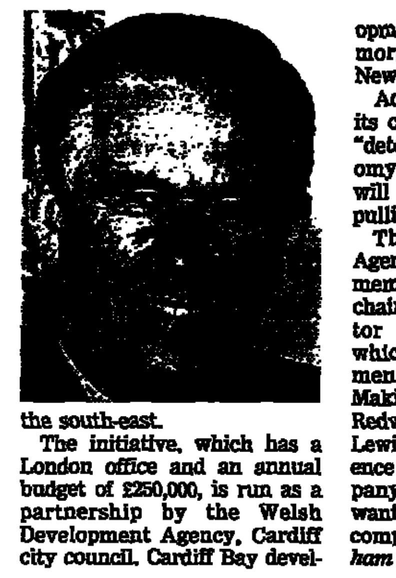
PEOPLE

Jillings' initiative for Wales

Godfrey Jillings, who headed up Fimbra, the self-regulatory organisation for independent financial advisers, is taking over as director of Wales' Financial Services Initiative.

The initiative seeks to lure financial services businesses to Cardiff and south-east Wales. Jillings, who spent 32 years with National Westminster Bank, was chief executive of Fimbra for three years before it was superseded this autumn by the Personal Investment Authority.



Jillings, an Englishman, will have the job of giving a fresh boost to the initiative, which was launched in 1988 but has been rather quiescent during the recession. In particular, he will seek to target potential relocators from London and the south-east.

The initiative, which has a London office and an annual budget of £250,000, is run as a partnership by the Welsh Development Agency, Cardiff city council, Cardiff Bay development corporation, South Glamorgan county council and Newport borough council.

According to Gregory Byrne, its chairman, the partners are "determined that, as the economy recovers, the initiative will be back in the business of pulling jobs into Wales".

The Welsh Development Agency itself has a new board member, Robin Lewis. He is chairman and managing director of Magstim Company, which makes medical instruments at Whitland, Dyfed. Making the appointment, John Redwood, Welsh secretary, said Lewis had considerable experience of running a small company in a rural location. "I want to see many more such companies." *Roland Adburgham*

Inntrepreneurs lose out

The recent loss by Grand Metropolitan, the drinks and foods group, of the management contract of Inntrepreneur Estates, the UK pub joint venture between Grand Met and Foster's Brewing of Australia, has left some 15 senior managers without jobs.

The rest of the 280 staff of Grand Metropolitan Estates, the subsidiary running IEL, will transfer to IEL which is to have its own management reporting to the two shareholders, Grand Met and Courage, the UK brewing subsidiary of Foster's.

The three most senior departees from Grand Met Estates are: Robert Williams, chairman and managing director, Peter Coleman, director of legal affairs and company secretary, Mike Newman, public relations director, and Bill Fox, Rodney Mann and John Norris, who are three of the regional managers.

Grand Met had managed IEL since the two partners pooled their pubs in 1991. It has been criticised by publicans, lobby groups and politicians for running Inntrepreneur more like a property company than a pub business. Some licensees have campaigned through the courts against the terms of their leases.

Courage, chaired by Michael Foster, was thought to have been dissatisfied with the management arrangement. When the joint venture was refinanced again in November, Grand Met relinquished its management role.

IEL is seeking a chief executive and several other senior managers. Although IEL will run independently, Courage is planning to play an active role in an attempt to improve relations with IEL's licensees. *Roderick Oram*

■ Unilever, the Anglo-Dutch consumer products group, has realigned roles at the top of its foods business. It has moved from a geographic to a product split. The changes bring the business closer to the structure of other Unilever operations such as detergents. Unilever says the continuing integration of European food markets and its own global food ambitions triggered the changes. Foods accounted for £14.3bn of Unilever's £27.9bn turnover in 1993.

Jan Peelen takes responsibility for global strategy in tea, tea-based beverages and a new culinary products portfolio. He remains chairman of the foods executive and head of the US food operations.

Anthony. Burgmans will head ice cream and frozen food operations in Europe and be responsible for the global strategy for those products. He was head of southern European foods.

Okko Müller will head all other European foods and be responsible for global strategy of bakery, oil and dairy-based products. He was head of northern European foods. *Roderick Oram*

■ Shares of Huntingdon International Holdings jumped 11p to 31p yesterday as the life sciences group announced that Roger Pinnington was its choice as chairman to succeed Ian Campbell, who gave notice of his intention to resign in mid-August.

Last Friday, shares of HIH tumbled 23p to 20p as the group revealed a plunge from profits of £8.68m to pre-tax losses of £71.1m, after exceptional charges of £70.8m to cover restructuring costs at HEE, the US engineering and environmental services business, and the placing into administration of Travers Morgan, the UK-based consultancy.

Known as a "company doctor", Pinnington, 62, has been chief executive of UBM Group, Royal Ordnance, RHP Group, Telfos (after the aborted takeover bid by William Cook), and Blackwood Hodge (until its takeover by BM Group).

More recently he has worked with multinational leasing companies, institutional and private investors, clearing banks and venture capitalists, including recovery and reconstruction situations.

Currently he is chairman of Lynx Holdings, Cortworth and British World Aviation. *Peter Pearse*

■ Howard Dodd, corporate treasurer of ZENECA Group, has been appointed finance director of ZENECA Specialities.

■ Andrew Thorpe has been appointed marketing director of WHITBREAD Pub Partnerships; he moves from Scottish & Newcastle.

Betterware looks to better itself

Betterware, the direct home-shopping group, announced a number of board changes yesterday to try to boost its flagging share price.

Peter Hartley, the former managing director of Texas Homecare who joined Betterware in December last year, has been promoted to group managing director from group financial director.

Andrew Cohen has moved from the post of chief executive to be executive chairman.

Hartley will be based permanently at the group's Birmingham headquarters and distribution centre; Cohen was previously in charge of operations but only spent three days a week in Birmingham. Now, he will concentrate on the group's strategy, especially the development of Betterware's new partnership with Avon in north and south America.

Paul Turner, currently financial director of Betterware UK, becomes group financial controller; the board has not yet decided whether to appoint him permanently as group financial director.

Walter Goldsmith has retired as non-executive chairman but remains on the board and will continue to chair the audit and remuneration committee.

Betterware has fallen out of favour in the City this year. Its shares have dropped from a peak of 278p in July last year to 44p yesterday. *Geoff Dyer*

■ David Brewer, finance director of British Coal, is to become boss of Mining (Scotland), the consortium of private sector investors and unions which is the government's preferred bidder for the Scottish coalfield.

Brewer's title will be operations and financial director. The present chief executive officer is Brian MacDonald, a Scottish businessman and company doctor, but it was always made clear that MacDonald would step aside and recruit a ceo from the coal industry once he had steered the consortium's bid to a successful conclusion.

Brewer, 48, has been with British Coal since 1968 and has held a number of senior financial posts, as well as being involved in the privatisation process. *James Buxton*

Opera

Oberto

In many performances John Tomlinson gives the impression of a larger-than-life character in search of a role that is big enough for him. With the title role of Verdi's *Oberto* he has undeniably found one of the right size, but that has not stopped him being doubly ambitious and taking on not one role, but two.

Last Thursday Tomlinson also made his debut as an opera producer. When Opera North decided to put on a production of Verdi's first opera, it originally turned to Ian Judge, but he started to get cold feet and withdrew. Tim Albery was approached and thought better of the opera, but decided against it. Enter Tomlinson, laying aside his Wagnerian spear and seizing instead a sword with which to champion this early Verdi rarity.

His production is sketched with bold outlines, but not much in between – a bit like the opera, really. He has set it in the Italy of the 1920s, the ominous menace of dictatorship already casting a premature shadow. The chosen period may make the story even less credible than before, but it is a gift for the ladies of the chorus, who glitter in the party scenes as flappers with beads, plumed headdresses and long cigarette-holders – the full works.

As a whole, the show looks good,

John Tomlinson has laid aside his Wagnerian spear to champion this early Verdi rarity for Opera North

thanks to Russell Craig's effective designs, but in early Verdi neither that, nor clever production ideas, will ever make the evening. *Oberto* depends on singers who can fire the imagination and at the Grand Theatre, Leeds, it had three out of four. Tomlinson throws himself into his role, giving it every ounce of his energy and decibels from the moment he comes on. Some light and shade would be welcome, but single-handedly he galvanises the whole performance.

The sparks fly when he is confronted with Linda Finnie's hyperventilating Cuniza. Heaven knows who gave her that awful wig (one imagines her worst enemy ironing the pleats in the dressing-room beforehand) but she makes an ace twenties' vamp, generously throwing around her ample, rather Wagnerian mezzo. David Maxwell Anderson had an apology made from the stage for a cold, but sang with promising clarity; only the lyrical writing strained his resources.

With David Porcelijn keeping the impetus going (crucial in early Verdi) the musical performance had most of the rude energy it needs. Only Rita Cullis in the soprano role of Leonora was too polite, lacking the necessary punch in the middle of the voice. Although she gave all she had, her final aria, which is the climax of the evening, was a vocal firework display which went off without any éclat. Incidentally, how striking it is to hear the pre-echo of *Rigoletto* in her duet with her father.

Why is *Oberto* worth seeing? First, for historical reasons, because it is the seed from which all the later Verdi masterpieces grew. Second, for the sheer adrenalin, which will set toes tapping and hearts pumping, even when the brain complains that the music is not good enough to support any serious emotions at all. Opera North has found its energy and to that extent has found the opera, too.

Richard Fairman

On tour until March

Freud and Rubens communicate across the centuries with lovingly painted feet: Freud's 'Leigh under the Skylight' and Rubens' 'Venus, Mars and Cupid'

Freud among the big boys

William Packer admires the brave juxtaposition of old and new at the Dulwich Gallery

The Dulwich Picture Gallery holds one of London's more remarkable smaller collections of old masters. For its size it is extraordinarily rich not merely in the nominal range of the masters it represents, but in the prime quality of the works by which it represents them. Furthermore, it is kept and shown in the most perfect of galleries, built to the purpose by John Soane and a masterpiece in itself.

Needless to say, being so special a national treasure, it has been kept on short commons for decades, sometimes even under threat of closure. That said, it seems at present in fairly rude health, largely by virtue of the energetic fund-raising policies of its present director, Giles Waterfield, and his imaginative programme of temporary exhibitions, which from time to time brings in the work of modern and contemporary artists such as Lucian Freud, whose work is currently on show.

But then although many old-master galleries put on shows of modern art from time to time, even though not always by artists so celebrated as Lucian Freud, nor necessarily with the work of Velasquez, Poussin, Gainsborough, Tiepolo, Watteau, Canaletto and Van Dyck on the wall next door. Such a show, we would assume, would be set aside in a room to itself, a special case with critical values of its own by which to respond to it.

What makes all the difference here, however, is that Waterfield "thought it would be interesting to hang the (Freuds) among the many mainly 17th century Flemish paintings in one of Soane's main galleries." And he knew very well, for all his mock-innocence, that by so doing he would be taking a most radical curatorial step.

He had four new Freuds at his disposal, three nudes of which two were very large, and a small study of a woman's head. And the wall he chose for them, in the first gallery on the left on the main axis of the gallery, is not full of any old things. It is commanded by the great Rubens, lately restored, of "Venus, Mars and Cupid", with Lely's "Nymphs at a fountain" and a Van Huysum flower piece alongside, and Van Dyck and Hobbema, among others, across the room.

One of the heresies of modernism, and one of the most pernicious, is that it represents a break with the great humanist tradition of Western Europe that goes back through the renaissance to classical times. Yet it has remained an evident truth, at least to those collectors with the wit and confidence to trust their eyes, that no hermetic seal ever came down to cut us off from the past. We may know a work of art, of whatever kind, by the company it keeps; and if it is good enough it will hold its place in the grandest company, by its quality alone.

But it is a stiff test, and to set up Lucian Freud against Rubens of all people, could all too easily be written off as mere curatorial affectation and no contest at all. But Freud at least has never felt himself to be cut off from the great tradition – artists by and large don't – and for the last 20 years or so has openly set himself by its standards, not just in the intensity of his scrutiny of the visible world, but in the physical scale of his pictorial ambition, and his prodigious output. He is now 72, and on this present evidence is working with as much physical control and energy as ever, if not more. The huge standing male nude, "Leigh under the skylight", seen full frontal and foreshortened from below, is an astonishing practical achievement in itself.

That it should also declare itself as a great work of art is something else again. Many still find Freud's bleak vision of humanity unnerving and objectionable, but then the manifest fleshiness of Rubens' women is notoriously not to everyone's taste. The direct comparison here between Freud and Rubens is uncanny and revealing. Of course there must be differences – the history of art cannot be undone, and in Freud the legacy of expressionism is clear enough. But yet these two artists speak to each other across the centuries on equal terms, on the same scale, even in the same way – the crossed feet of Freud's Leigh and Rubens' Venus is the nicest coincidence. But then how closely similar is the drawing of those feet, in the working of the pigment on the surface, the openness and directness of the statement. The innate naturalism of each image bespeaks a deep and natural sympathy, for all that one is an allegory, the other supposedly an objective response to the natural world.

But then all art is allegory, in the sense that all art is art, and removed from the world through the sensibility and imagination of the artist. Here are two great artists seen for once side by side, with other great artists looking on. We can do no more than pay Lucian Freud the compliment of saying that his work looks as though it has lived in such company all along.

Lucian Freud at Dulwich: The Dulwich Picture Gallery, College Road SE21, until January 21.

Concert

Haitink and the LPO

For fans of the London Philharmonic Orchestra the most likely question on everyone's lips at the moment is "who will succeed Franz Welser-Möst as music director?", a matter of even greater urgency now that Klaus Tennstedt, the LPO's principal guest conductor, has had to retire from conducting due to the ill health that has constantly dogged his career.

One possible contender for the post is surely the present music director of the Royal Opera, Bernard Haitink. His long and fruitful association with Amsterdam's legendary Royal Concertgebouw Orchestra, his musical directorship of Glyndebourne Festival Opera and his special relationship with the Vienna Philharmonic certainly single him out as a strong candidate for the LPO job, though whether his current position as the LPO's president will disqualify him remains to be seen. If he is to be considered, then the two concerts he gave with the orchestra on Sunday and Thursday might be viewed as something of a public audition.

The tidy account of Beethoven's First Symphony which began Sunday's concert was a good example of Haitink at his best: neat and precise, free of interpretive quirks, it gave the impression of playing itself. Short of wit, maybe, but handled with an attractive lightness of touch. It was, in short, a pleasantly unassuming reading, a quality less welcome in the Ninth Symphony, where the interpretative challenges are so much greater and the weight of performance tradition so much more intimidating.

Given Haitink's operatic experience, one might have expected a view of the Ninth riven with dramatic incident shot through with a palpable regard for its summatory, colossean dimensions. In the event, the bold rhetoric of the first movement seemed less than arresting, and the finale, for all the vigorous contribution of a well drilled LPO choir and the reliable team of soloists – Karita Mattila, Ann Murray, Keith Lewis and Robert Lloyd – was devoid of visionary ecstasy. Haitink was visibly exhausted at the end of it. And the packed Festival Hall audience vociferous in its appreciation. Just quite why was difficult to fathom.

Thursday's concert showed Haitink on top form, however, not so much in a brash account of Berlioz's *Benvenuto Cellini* overture and a rather subdued Ravel *Mother Goose*, but in a finely controlled and numinous reading of Vaughan William's Fifth Symphony. Haitink and the LPO are no strangers to VW. Their recordings for EMI of the First, Second and Seventh Symphonies have been enthusiastically received, further proof that VW is not the exclusive property of British artists, as conductors of the calibre of Rostropovich, Rozhdestvensky and Slatkin have triumphantly demonstrated. The Fifth, in particular, is well suited to Haitink's introspective temperament, but what impressed above all was his feeling for the longer line, his ability to inject a strong sense of purpose to the ambiguous, ruminative nature on much of the music without robbing it of its sense of wonder. With more performances like this and a more carefully chosen repertoire, Haitink could, perhaps, be just the music director the LPO so badly needs.

Antony Bye

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Phillipe Herreweghe: with the Freiberger Barockorchestra and the Collegium Vocale Gent conducts Bach at 8.15 pm; Dec 20, 22

BERLIN

CONCERTS

Philharmonie Tel: (030) 2548 8132

● Berlin Philharmonic Orchestra: conducted by Sir Yehudi Menuhin and with soloist Leonid Gorokhov plays Mozart, Tchaikovsky and Schubert at 8 pm; Dec 20, 21, 30, 31 (5.15 pm)

OPERA/BALLET

Deutsche Oper Tel: (030) 3 41 92 49

● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 27

Staatsoper Unter den Linden Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Berenboim, production by August Everding at 7 pm; Dec 20, 23, 25, 28;Jan 1

● Domröschen: by Tchaikovsky. Conducted by Stolze, choreographed by Nureyev at 7 pm; Dec 26, 27

LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in this traditional celebration of the New Year at 7.30 pm; Dec 31; Jan 1, 2

● Royal Philharmonic Orchestra: Christmas concert with conductor Owain Arwel Hughes at 7.30 pm; Dec 20, 26

Festival Hall Tel: (071) 928 8800

● Johann Strauss Gala: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johan Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1

OPERA/BALLET

Festival Hall Tel: (071) 928 8800

● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; from Dec 21 to Jan 2 (Not Sun)

Royal Opera House Tel:(071) 340 4000

● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 23 (2 pm) , 26 (2 pm) , 27, 30, 31; Jan 3

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 20 (2 pm) , 21, 22, 28

THEATRE

Barbican Tel: (071) 638 8891

● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; to Dec 29 (Not Sun)

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 23, 26, 27

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 28, 29 (2.15 pm) , 30, 31 (2.15 pm) ; Jan 2

Queen Elizabeth Hall Tel: (071) 928 8800

● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; from Dec 27 to Jan 3 (Not Sun)

● Rossini's Cinderella: new translation by conductor Tony Britten and director Nicolas Broadhurst at 7.15 pm; Jan 2 (2.15 pm) , 3

Royal Court Tel: (071) 730 1745/ 2554

● The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester at 7.30 pm; to Feb 4

FRANKFURT

GALLERIES

Schirn Kunsthalle Tel: (069) 29 98 82 11

● Asger Jorn - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists.; to Feb 12

NEW YORK

GALLERIES

Metropolitan

● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3

Whitney Museum

● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 22, 29, 31

● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 20, 24 (1.30 pm)

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2

● Madama Butterfly: by Puccini at 8 pm; Dec 21, 27, 30

● Peter Grimes: by Britten. English at 8 pm; Dec 23, 28, 31; Jan 3

New York State Theater Tel: (212) 870 5570

● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)

THEATRE

Manhattan Theatre Club Tel: (212) 581 1212

● Love! Valour! Compassion!: latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)

Richard Rodgers Theatre Tel: (212) 307 4100

● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

Vineyard Theatre Tel: (212) 353 3874

● American Dreaming: by Chiori Miyagawa, directed by Michael Mayer. The story of a Japanese-American mixed marriage with an eclectic mixture of classical and contemporary music from East and West at 8 pm; from Dec 20 to Aug 1 (Not Sun)

ROME

OPERA/BALLET

Teatro Dell' Opera Tel: (06) 481601

● Cronache Italiane: ballet in two parts based on work by Stendhal at 7 pm; Dec 20, 21, 22, 23

PARIS

GALLERIES

Grand Palais Tel: (1) 44 13 17 17

● Poussin: 400th anniversary retrospective; to Jan 2

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30 pm; from Dec 22 to Jan 7

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● La Fontaine de Bakchisaraï: ballet by the Kirov company, St. Petersberg at 8.30 pm; Dec 20, 21

● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 22,23,25,26,27,28,29,30,31

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

WASHINGTON

CONCERTS

Kennedy Centre Tel: (202) 467 4600

● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31

GALLERIES

National Gallery Tel: (202) 737 4215

● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; to Mar 19

Sackler Tel: (202) 357 2700

● Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th -16th century; from Dec 24 to Sep 24

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2

THEATRE

Olney Tel: (703) 924 3400

● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31

Shakespeare Tel: (202) 393 2700

● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

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On-line cafe society

Ronald van de Krol wanders through Amsterdam's Digital City


The power of communications

Far removed from the canals, bicycles and red light districts of Amsterdam, thousands of Digital City residents are glued to their computer screens, experiencing a life of lonesome sociability.

In a world of computer-based communication, they are meeting other computer owners in electronic "cafes", sending messages to mailboxes in the system's "post office", or hovering in the "main square", on the off-chance they might meet someone interesting.

Amsterdam's Digital City was launched in January as a three-month project to stimulate electronic communication and provide equal and widespread access to information. But its sponsors, including the city and national government, have been surprised by its popularity. The three-month timescale has long since been abandoned, and the programme is about to take into service a much bigger computer to handle a flood of "immigrants".

The city offers databanks, message groups and bulletin boards, similar to those available on the global Internet system, but more compact and far less daunting, and in Dutch, rather than English.

Residents can hook electronically into services, such as Urban Desires, a computer basket described as an interactive magazine of metropolitan passions. They can wander imaginary corridors, meeting fellow metro-travellers, on their way to more than 100 metro stops created by local computer buffs. Or they can drop in on one of the "buildings" rented in the para-city by organisations such as the Amsterdam tourist office, the Anne Frank Foundation and the University of Amsterdam, to collect information or ask questions.

Most residents enter the city from their offices or homes, using their own computers, modems and telephones. But there are also tariff-free computer terminals available at Amsterdam city hall, the public library and De Balie, an avante-garde cafe that is the spiritual birthplace of the city.

Once in, users are greeted with messages declaring: "You are the 1,757th user today and the 45,341th this month." This is an incentive for some, but a deterrent for others. "This city is becoming much too crowded," complains one computer resident after failing repeatedly to log on for lack of available telephone and computer space.

To a first-time visitor, the city can be a bewildering fusion of high-tech communication, old-fashioned chat and channel-surfing through television channels by remote control. It is a bit like ham radio, except that the voices have been replaced by words flashing by on the computer screen and the crackle of radio frequency static has made way for the silent hum of the computer-modem connection.

The city is populatedby characters calling themselves "Daydreamer", "Nini" and "Tulip". Much of the on-line "talk" in the cafes is quick-paced but banal. For example, one participant announces that he's just bought some croissants, another types in "yummy".

Much of the on-line 'talk' in the computer cafes is quick-paced but banal

By contrast, those taking part in electronic discussions about politics or society are more high-minded. One heated exchange touched upon the democratic credentials of those running the project and centres on the right of the poor and those without computer equipment to take an active part in "Amsterdam".

Digital Amsterdam was launched to make computer communication a low-cost reality for all citizens of the real Amsterdam, by providing access to the network for the price of a local telephone call. However, the need for extra cash has raised the possibility that commercial businesses will be encouraged to rent "buildings" in the city where they can ply their trade.

One objector to this proposal ends a digital outpouring with warnings of totalitarianism and a parting shot from Voltaire: "It's dangerous to be right when the government is wrong."

The Digital Citizens' Rights Movement of the Netherlands, contributes to the on-line discussion about commercial sponsorship with a warning that "governments and businesses must not be allowed to run the show".

For others, even the price of a local phone call threatens to undermine the birth of a true digital democracy. "In Santa Monica, California, even the homeless can take part in discussions on the local Freenet," one Amsterdam resident says.

A few hours in the city are enough to leave the reassuring if sometimes depressing impression that people in the dawning world of virtual cities and computer communication are ultimately very much like the people who once sent messages by homing pigeons.

There is humour, intolerance, rudeness and honesty, in roughly equal measure. There is also no lack of controversy.

Although firm figures are hard to come by, the regular residents estimate that as many as 90 per cent of the city's inhabitants are men. They tend to be aged between 15 and 30 and like to stay up late. As in the real Amsterdam, the Digital City comes to life after 10pm.

Digital Amsterdam is also quite anonymous. You may be talking to a man who's using a woman's name, or vice versa, and no one can tell. "Often, an Astrid is in reality a Willem," says Hanneke Vermeulen, a systems operator of the computer-based network.

This anonymity means that the Digital City-dweller need never be shy to strike up a conversation with a stranger. At least in the beginning, people in cyberspace can hide behind their fictitious names if they want, only letting down their guard when they have developed a rapport with a new name on the system.

Of course, there is no reason why two residents of Digital Amsterdam could not arrange to meet at a real cafe in the real Amsterdam. But surprisingly, perhaps, long-time residents say this does not happen often. "It's easier when you don't have to meet up face to face," one regular at the computer "pub" confesses. "The person you've come to know through the screen can be disappointing when he's sitting across from you.

When the centre does not hold

Russia's military action in Chechnya threatens its own insecure democracy, says John Lloyd


Under fire: Russian tanks advancing towards Grozny, capital of Chechnya and, inset, Boris Yeltsin

President Boris Yeltsin presents the Russian military intervention in Chechnya as a simple affair. It is the taming of a rebellious republic that is unequivocally a part of the Russian Federation.

General Dzhokar Dudayev's election as Chechen president in the autumn of 1991 was illegal; he has since declared an illegal independence; he has ignored all Russian legislation; groups of paramilitaries have been armed who have no right under Russian law to bear them; he has in the past few weeks called his nation to war against Russia.

These acts are sufficient in any state to justify intervention. In Chechnya, they are compounded by allegations of organised criminals freely operating on Chechen territory, the diversion of vast amounts of oil, the non-payment of any taxes, drugs smuggling, arms trading and civil strife.

Mr Boris Fyodorov, former deputy prime minister and leader of the Liberal Democratic Union, one of the few liberal politicians who supports Mr Yeltsin's order to intervene, puts it more succinctly than the president has yet managed to do: "I look at it this way – Chechnya is part of Russia: in Chechnya the constitution and the laws of Russia are not enforced; in Chechnya, for the past three years, illegal armed groups have threatened and kill Russians. In the light of these facts, the central authorities must, sooner or later, re-establish order."

Most of Russia's liberal reformers and democrats have not seen it that way. The two main liberal parties, Russia's Choice and Yabloko, are violently against military action (though with some dissent among members).

Mr Yuri Kalmykov, the liberal-leaning Justice Minister – himself from a North Caucasian people, the Cherkessians – resigned because of an early disagreement with the course of policy towards Chechnya. Mr Leonid Smiryagin, a presidential adviser, is also threatening resignation. Most of the liberal press is against the president's policy (though there are splits here too, dividing the newspapers).

These liberals do not, in the main, support Chechen independence: instead, they fear for Russian democracy.

For Mr Yegor Gaidar, leader of Russia's Choice; for Mr Grigory Yavlinsky, leader of Yabloko; for Mr Otto Latsis, Russia's leading liberal columnist; for Mr Sergei Yushenkov, chairman of the State Duma's (lower house) defence committee, the threat is clear: it is of an authoritarianism that bases itself on the need to prepare the country for war against its enemies.

Mr Yavlinsky, with a talent for the striking phrase, puts it thus: "If the country is drawn into a protracted war, the national-patriotic forces will become the regime's natural base."

Already Mr Yavlinsky's warning carries evident force. The major party in the Duma supporting the president is Mr Vladimir Zhirinovsky's ultra-nationalist Liberal Democratic Party. Mr Yeltsin is enjoying vocal support from old and bitter foes from the days when he was seen as the leader of the democrats, such as Mr Alexander Nevzorov, the rightwing nationalist TV star.

Increasing pressure is being put on the media – whose approaches have been diverse, in some instances courageous and probing over the Chechen affair – to conform. Pressure is especially strong on the independent NTV channel, owned by the Most financial group whose head, Mr Vladimir Gusinsky, has already been the target of a raid by Mr Yeltsin's private guards.

The dwindling band of radicals in the government met last Thursday to discuss the progress of reform and, inevitably, Chechnya. It included Mr Anatoly Chubais, the first deputy prime minister, and Mr Sergei Vasiliev, deputy economics minister.

While they oppose the intervention on political grounds, they also see it as a disaster for the economic reform process. Rbs1,000bn has already been promised to revive the republic's economy, and the cost of the military operation is already running into the hundreds of billions of roubles. More seriously, they fear that the military budget will almost certainly be greatly increased as a reward to the army for fighting a dirty war in the Caucasus.

Power has already drifted away from the parliament and ministers towards Mr Yeltsin's bloated administration since his deliberate humiliation of the cabinet after the crash of the rouble in November. It is now moving further into the circle of ministers, aides and advisers who take a tough line on Chechnya and much else.

Most of the important decisions are taken by the Security Council, which liberal commentators routinely liken to the Communist party politburo that ruled the former Soviet Union. It includes the ministers of defence and interior affairs as well as the director of the Federal Intelligence Committee. Its secretary, Mr Oleg Lobov, is a tough conservative close to Mr Yeltsin for many years. The man Mr Yeltsin has chosen to be in day-to-day charge of the Chechnya issue, Mr Nikolai Yegorov, a former chief administrator of the Krasnodar region, is in a similar mould.

The liberal figures in the administration are isolated. Mr Chubais, nominally joint number two in the cabinet, is fighting a lonely and exhausting battle to keep economic reform on the rails and cannot involve himself on Chechnya. Mr Andrei Kozyrev, the foreign minister, chose to resign from Russia's Choice when it criticised the president's policy on Chechnya and has since defended it in forceful terms.

Mr Sergei Kovalev, Mr Yeltsin's special representative for human rights – who flew to Chechnya to negotiate with General Dudayev over the weekend at the time when an attack was most likely – has strongly criticised Mr Yeltsin. With declining influence, he may soon have no job.

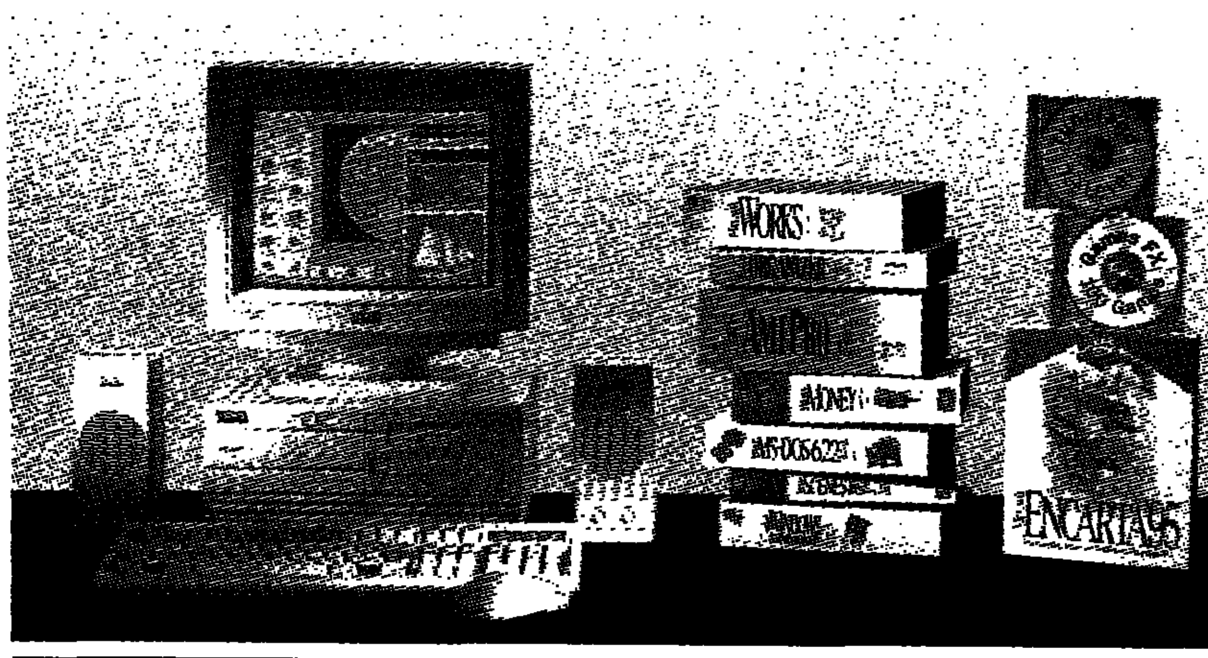
But it is not a simple matter of liberals against conservatives. The liberal critics have been joined by military figures who do not have a liberal reputation, such as General Boris Gromov, the last Soviet commander in Afghanistan and deputy defence minister, and General Alexander Lebed, the commander of the 14th Army in Transdnestria, the Russian-speaking part of Moldova. On the ground in Chechnya, General Ivan Babichev, commander of a motorised division, refused to advance to Grozny in the face of civilian opposition.

TV interviews, including Russian ones, have presented officers and ordinary soldiers openly questioning the need for the intervention and even expressing their determination not to fight. But if the army begins to divide over such issues, it may soon begin to take sides in Russia's political quarrels.

Mr Fyodorov taunts his liberal colleagues with having nothing to suggest to address the theat to the state's integrity that Chechnya presents. However, the use of force could provoke a long and murderous anti-Russian war in Chechnya and perhaps further afield – with the Russians being seen as anti-Moslem, the religion of most of the Chechens. With some 18m Moslems in Russia, that would pose even greater threats to the country's territorial integrity.

Mr Yeltsin, in moving to safeguard his state's integrity, has threatened it further. He has made many mistakes: he moved very late; he shifted from neglect of the situation to violent threats with nothing between; and he clumsily sought to use the Chechen opposition as Russian proxies.

However, he and Russia may be facing an intractable problem – that of a member republic of the federation that in no circumstances will give up the independence it claims. It is not yet clear what comes after force.



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LETTERS TO THE EDITOR

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Beckman's better times

From Mr H L Benjamin.

Sir, To those who have been reluctantly bearish recently, but always looking for a silver lining, hope springs from an unexpected quarter.

In a mostly well-reasoned article (In the Pink: "Batten down for a bear to beware", December 10), Bob Beckman writes "...it would not be unreasonable to expect the bear market that began in February 1994 to be one of the longest and deepest ever experienced". I have been reading those of Bob Beckman's market forecasts published in the press as long as he has been making them and, so far as I can recall, they have invariably been wrong and usually in spades.

I look forward to the future with (a tiny bit more) confidence.

H L Benjamin,
22 Shrewsbury House,
Cheyne Walk,
London SW3

US fiscal policy irresponsible

From Mr John Calverley.

Sir, Your leading article, "Evading US fiscal reality" (December 19), and Michael Prowse's piece on the same page ("Why Bill signed Newt's contract") correctly draw attention to the dangers of US tax cuts without commensurate spending cuts and to the longer term problem of rising social security spending. But even without these risks US fiscal policy looks irresponsible because of the failure to use the current economic strength to reduce the debit ratio.

Reaganomics took gross public debt from 38 per cent of gross domestic product in 1980 to 53 per cent in 1989. The 1990 recession pushed it up further to 64 per cent by end 1993. This year, with the benefit of GDP growth at about 4 per cent, the ratio will fall, but only slightly. It will not fall more because the structural budget deficit, that is after allowing for economic cycle, has been allowed to continue at about 2.5 per cent of GDP. When the US economy slows down over the next two years, as it must, the ratio will inevitably start to rise again, even without any help from unfunded tax cuts or the expected rise in social security spending.

John Calverley,
chief investment strategist,
Global Economics Unit,
American Express Bank,
60 Buckingham Palace Road,
London SW1W 0RU.

No time for doubt about India's reforms

From Mr K V Rajan.

Sir, The sense of friendly concern about the future pace of India's economic reforms evident in your editorial, "India on trial" (December 15), is understandable; but not, I submit, the note of pessimism about the possible implications of recent state election results when you say: "Reform will stand still, while fiscal stabilisation starts to go backwards."

By most yardsticks (foreign exchange availability, balance of payments, inflow of direct as well as portfolio investment, liberalisation of the trade and payments regime, convertibility on current account, exports, industrial production) India's record since June 1991 should leave no room for doubt that steady progress in the liberalisation programme will continue. Of course, important challenges remain (labour laws, opening up of the insurance sector, reform of banking, disinvestment), but, as Dr Manmohan Singh, India's finance minister, suggested in an interview with the FT some months ago ("We will surprise ourselves and the world," March 30), there is a need to avoid shock therapy if the delicate plant of liberalisation is to be protected.

The Indian prime minister, Mr P V Narasimha Rao, and the finance minister have repeatedly stressed that benefits of reform must reach the poor. As the prime minister put it in his Guildhall speech in March, if the poorest sections of the population are left behind, it would lead to disaster. The recent state election results might be seen by some as reinforcing the logic of that concern, across the political spectrum. But this will only strengthen the consensus about the need for rapid economic growth across a broad front, not weaken it.

The international community, which demonstrated such robust confidence in India's economic reforms at extremely difficult times in 1991, perhaps owes itself not to indulge in doubt and concern now, when neither is warranted.

K V Rajan,
acting high commissioner,
The High Commission of India,
India House,
Aldwych, London EC2B 4NA

Story is for real

From Mr Richard M H Bullock.

Sir, Reviewing Princess Caraboo (Arts, December 15), Nigel Andrews is, wrongly, sceptical of the claim that the film is based on a real story.

In her *English Eccentrics*, Edith Sitwell relates the story at some length and includes references to contemporary journals and letters mentioning the visit of the "princess" to England.

Richard M W Bullock,
12 Peterborough Villas,
London SW6 2AT

Simply the only answer to a simple question

From Mr Roger Heminway.

Sir, On reading Joe Rogaly's article, "Down with the lottery!" (December 17/18), and quite apart from his many comments which are open to criticism, may I ask the question, "Who is the most simple?"

1) He who goes for a 14m-to-1 gamble; or

2) He who queues for 10 minutes in the wrong line.

I believe that the answer is "simple".

Roger Heminway,
34 Shelbourne Place,
Park Road, Beckenham, Kent

Very strange Morgan Stanley-Warburg talks could have got so far

From Mr Charles Pugh.

Sir, Apropos your article, "Warburg merger plan called off" (December 16), note 7 to rule 9 of the Takeover Code contains something called the "chain principle" which deals with what happens when one party obtains control of a company and thereby control of a second company because the acquired company itself holds a controlling block of shares in the second company.

This note states that the Takeover Panel will not normally require an offer to be made for the second company under this rule unless either: the shareholding in the second company constitutes a substantial part of the assets of the first company; or one of the main purposes of acquiring control of the first company was to secure control of the second company.

In the case of the Morgan Stanley-Warburg merger, and the controlling stake held by Warburg in MAM, it would appear that both these conditions are fulfilled. No-one could argue that MAM does not represent a substantial part of the assets of Warburg, and you reported on your front page Mr Stephen Waters, co-managing director of Morgan Stanley Europe, as saying: "MAM was the reason for us to do the deal."

It therefore seems fairly clear that the rules of the Takeover Code mean that a mandatory offer for the minority shareholding in MAM was always going to the required.

Against this background it seems very strange that negotiations between Morgan Stanley and Warburg could have got as far as they did when the (premature) announcement was made of bid talks without independent advisers to MAM having already been brought in to the deal with this potential show-stopper at a far earlier stage.

Charles Pugh,
2 Priory Walk,
London
SW10 9SP

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FINANCIAL TIMES
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Tuesday December 20 1994

Bundesbank in command

The German economy has confounded its critics in 1994; so has the Bundesbank. It is difficult to see why the council should revise its fundamental policies when setting the monetary target for 1995 this Thursday. Nor is there a compelling reason for it to alter interest rates. When the first change does come, it is more likely to be up than down.

It is remarkable how far and how quickly both the economic situation and the problems confronting the Bundesbank have changed. A year ago, the Organisation for Economic Co-operation and Development forecast gross domestic product growth of only 0.8 per cent between 1993 and 1994. Meanwhile, as recently as April the annualised rate of growth of broad money (M3), over the average for the last quarter of 1993, was 15.4 per cent, far above the target range of 4-6 per cent.

With the economy forecast to stagnate and monetary growth soaring, the Bundesbank was vulnerable to criticism whatever it did. If short-term interest rates were lowered, it would be accused of ignoring the monetary targets. If they were not, it would be accused of ignoring the needs of the economy.

In the event, the Bundesbank did cut interest rates, lowering the discount rate from 5¾ per cent to 5¼ per cent in February, to 5 per cent in April and, finally, to 4½ per cent in May. Similarly, the repurchase (or "repo") rate was lowered from 6 per cent at the end of last year, to 4.85 per cent in late July, where it has since remained.

The justification given for cutting interest rates was not that the money supply did not matter. Heaven forbid. It was rather that the money supply was swollen by technical factors, including tax considerations and high returns on liquid bank deposits relative to illiquid "monetary capital".

Vindicated

Considerable scepticism has been expressed about this rationale. In retrospect, however, the Bundesbank has been vindicated. Since money supply remained virtually unchanged between April and October, the growth of M3 is now likely to be close to the upper range of its target for the year. If M3 were to remain stagnant in November and December, its annualised growth would even fall within the range.

Money supply has come right – and so has the economy. The expectation is that GDP will grow by 2½ per cent, or more, this year. Over the year to the third quarter it rose 2.5 per cent. Growth has been driven, in the traditional manner, by export volume, up 14 per cent in the year to June. As a result, industrial output has also risen quite sharply. In October, it was 5.1 per cent above the level reached a year before, although it was still 6.3 per cent below its peak in early 1992. The east German economy is also growing strongly, if from a low base: in the year to August 1994, output of manufactures rose 19 per cent.

Inflation

Even though the economy has been recovering far more strongly than expected, inflation has continued to fall. The annual rate of consumer price inflation has been running at below 3 per cent since September. Yesterday's monthly report from the Bundesbank said west German inflation could decline to below 2.5 per cent early next year. The report also welcomed the improvement in the public sector deficit. Germany is, in fact, well on the way to meeting the Maastricht criteria for economic and monetary union, by 1996.

Meanwhile, the Bundesbank confronts the mirror image of the situation it faced a year ago. Then the economy was weak and monetary growth strong. Now things are the other way round. Nevertheless, the economy is not that strong and and monetary growth is not that weak. The Bundesbank's instinct may well be to change rather little.

The monetary target for next year is likely to be similar to the one for 1993, although that would imply upward drift in the base, above the mid-point of this year's target range. Similarly, the Bundesbank should see little reason to change interest rates. At some point next year, interest rates are very likely to be raised. But the economy is not yet growing fast enough – in particular, consumption does not appear dynamic enough – to compel an early move. The Bundesbank deserves to feel proud of itself. It should rest a while on its laurels.

Mr Mandela takes stock

President Nelson Mandela's honeymoon with the South African electorate finally came to an end over the weekend, when the African National Congress (ANC), gathered in Bloemfontein for its first conference in South Africa since it was unbanned in 1991.

It would have been understandable if the party used the event to dwell on its extraordinary achievement since its inaugural gathering in the same city over 80 years ago. Instead the party is subjecting itself to a brutally frank critique of its performance in office.

This is as it should be, for to do otherwise would smack of complacency. As Mr Cyril Ramaphosa, the secretary general, put it in his official report to the delegates, the ANC is a liberation movement still struggling to come to terms with its success at the ballot box last April. The party is heavily indebted, riven by "cliques, factions, tensions and squabbles", he said. It has failed to tackle continuing township instability, rising crime and high unemployment, and is faced by one overriding concern: the failure to meet black expectations.

No one expected it to be easy, given Mr Mandela's dilemma. South Africa's stability, and its appeal to foreign investors, rests on the new government's capacity to maintain white confidence. To do so, Mr Mandela has chosen to act pragmatically – but in the process he has lost black support, particularly among impatient black youth.

There is no simple way out for Mr Mandela. If he is to deliver on the key issues – jobs, housing, education, land reform – he has to preside over a growing economy. To do this, he must bring with him a white community whose role in both business and the security forces is disproportionate to its numbers. And most difficult of all, he must turn a civil service moulded by apartheid into a loyal, efficient administration, without which the best conceived policies will fail.

Complex problems

There are other brakes on the government's capacity to deliver. It is learning to live with a constitution which decentralises power to nine provincial assemblies. Although the ANC controls seven of them, they are developing minds of their own, not susceptible to reform by diktat. Add to this the complexity of the problems to be addressed, whether the huge housing backlog, or the gross disparity in land ownership.

Nor is Mr Mandela's task made easier by the nature of the ANC itself. It is a still a coalition, originally driven by a single overiding objective – the end of white minority rule. Now that has been achieved, the cracks in the coalition are emerging, for it encompasses a very broad political spectrum, ranging from advocates of market-driven policies, through militant trade unionists, to members of the influential South African Communist party.

State patronage

In the past, Africa's leaders were able to sustain comparable coalitions after independence by resorting to state patronage through nationalisation and jobs in government service. Mr Mandela, however, has taken office in a new Africa, where economic policies are constrained by structural adjustment programmes which reduce such patronage through policies that include privatisation, market driven exchange rates, and trade liberalisation.

In the longer term, it might well be healthy for development and democracy in South Africa if there was a fundamental realignment in the country's politics, with the left of the ANC breaking away and standing on its own platform.

First, however, the party must put its own house in order. It must become an organised and focused political party, instead of a liberation coalition. And for the current five-year parliamentary session at least, the ANC and its partners in the government of national unity must work together to provide the jobs and social services that will form the foundations of the new South Africa.

The danger, as Mr Mandela warned at the weekend, is that the ANC might attempt to regain lost popularity on the basis of populist rhetoric.

If the party heeds his warning, and imposes discipline on its feuding factions, Bloemfontein could mark the moment when the ANC came to grips with its new responsibility.

Ready to ride out the storm

The UK's embattled prime minister, John Major, outlines his objectives to **Richard Lambert** and **Philip Stephens**

Mr John Major is not giving up. His government lags further behind in the opinion polls than any other in post-war history. Sections of the Conservative party frequently seem bent on self-destruction. Mr Tony Blair is beginning to fashion an electable Labour party.

But the prime minister intends to ride out the storm, to fight a general election he believes may well not take place until mid-1997.

Speaking in the cabinet room at 10 Downing Street yesterday morning, Mr Major's mood was quiet, initially rather hesitant. But his message during a 45-minute conversation was unambiguous.

He says he is not one of those politicians who bangs the table. He does not believe that to have convictions you have to take up extreme positions. But he has clear ambitions – for the economy, for Northern Ireland, for a radical reshaping of public services to devolve power to individuals. He intends to see them through. Those in the Tory party who imagine that Mr Major might just get up and walk away should think again.

Political recovery, he concedes, will depend on restoring party unity, as well as what the prime minister describes as "the best economic recovery in living memory". Last week's by-election defeat at the hands of Labour in Dudley West was "a very poor result".

Although Tory in-fighting did not entirely explain the biggest swing from Conservative to Labour in 60 years, the lesson is: "Firstly, the party must want to be united".

Mr Major warms to the theme: "I think the Conservative party in the country would think it would be folly running off the Richter scale if the party were not to come together and unite behind the economic recovery."

But it cannot be peace on his enemies' terms. We turn to the position of the nine so-called Tory rebels, the Eurosceptic MPs suspended for defying the government in a vote on Britain's contributions to Brussels. Their treatment technically deprives Mr Major of his overall majority at Westminster, though on most issues he can rely on the nine Ulster Unionist MPs for support.

The prime minister is unapologetic. It is self-evident that there was "no choice" but to suspend them once the MPs withheld their support on a vote of confidence.

The same principles apply to their possible return to the fold. The rebels are Conservatives and Mr Major hopes they will support the government in the months ahead: "In due course one can consider whether they should be re-admitted to the party whip. But it is not imminent at all; they must show that they are in the business of supporting the government." The use of the term "months ahead" is not a slip.

One of the things the rebels want is the promise of a referendum before Britain accepts any further European integration. Here Mr Major keeps the door firmly open.

But first he insists on defining his broader attitude to Europe. Politicians across the parties are divided into three groups. The first two are at the extremes – a minority that has never been reconciled to membership of the European Union and an equally small number who want a centralised, federal Europe.

Then there is the third group in which Mr Major places himself and the broad mass of Conservatives. It does not question the economic advantages of membership of the EU. But it is equally sure Britain should not sign up for something just because it comes from Europe.

This majority group wants Britain to shape Europe in a way that fits its own interests and instincts. As Mr Major puts it: "I am as passionately opposed to a wholly federal Europe as I would be to Britain losing its membership of the European Union."

So will he offer a referendum? Not for narrow party political reasons. But yes, "there conceivably could be reasons that would justify a referendum on certain issues and I am not going to rule them out".

Taking first the EU's Intergovernmental Conference planned for 1996, the prime minister says the fears of the Eurosceptics are almost certainly unfounded.

The outcome of a conference that has not yet started is inevitably unpredictable. But: "My strong suspicion is that we will see very little change of any serious nature, certainly no serious constitutional change". The prime minister reinforces the point: "I do not expect to come back with anything that would require a referendum".

But he admits he cannot be sure. Other EU leaders might bring more grandiose ambitions to the conference table. So the referendum option will be held in reserve.

The case for a plebiscite on a single currency is more clear cut. Economic and monetary union would be a change of "great national significance". But Mr Major believes the timetable is more distant and is slipping.

There is no question of eight EU countries meeting the Maastricht criteria required for a single currency in 1997. Only three countries, the UK among them, are likely to qualify. Theoretically, a core group might be ready to go ahead two years later in 1999, but Mr Major is far from certain that such a group would chose to, given the "immensely divisive impact" on the EU. So in Mr Major's terms: "I cannot be certain no-one will move ahead in 1999 but I think those people who predict it with confidence are rather reckless in their predictions."

But as to the timing of any specific referendum pledge, Mr Major is keeping his counsel.

Meanwhile, the cabinet will spend the next few months shaping Britain's agenda for the 1996 conference. No plans have been finalised, but slimming down the European Commission to cope with enlargement, the relationship between national and the European parliaments and issues such as subsidiarity and deregulation will be high on the agenda.

Tony Andrews

John Major: 'I am passionately opposed to a wholly federal Europe'

So too will be a strengthening of the intergovernmental structure established at Maastricht, particularly in the area of security and foreign policy. There can be no question of Britain surrendering any sovereignty over its foreign policy, nor of any moves that would undercut the North Atlantic Treaty Organisation (Nato).

But there is "a range of areas where we can strengthen the European defence identity, strengthen the European pillar of Nato and ensure that the Europeans collectively make a greater contribution to the overall security".

The discussion moves on to the economy, a source of both pride and frustration for the prime minister. Mr Major – like President Bill Clinton in the US – is presiding over a voteless recovery. Inflation is low, growth and exports are buoyant, but there is still barely a hint of a political payback.

Mr Major suggests the biggest obstacle to the return of confidence is that unemployment hit a different sector of the community during the last recession. "The bruising has gone unusually deep". Those in white-collar professions such as financial services had previously been insulated from downturns. This time, their next-door neighbours have been among the victims.

More broadly: "The economy is doing very extremely well but people aren't". Annual growth is running at 4 per cent but most individuals have not seen a rise in their net disposable income.

The reason is that the vast bulk of the extra growth has been absorbed by investment rather than by wages and dividends: "That is very good for the economy as a whole. It is very good for employment ... but it doesn't impact on the person who says, 'I see the politicians tell me the economy is getting better, I don't feel any better off in my own lifestyle'."

We put it to Mr Major that many in his party had a simple answer. Now that borrowing was under control, the government could fill the voters' pockets with tax cuts. Was Mr Kenneth Clarke, the chancellor, being altogether too austere in his warnings about fiscal prudence?

The prime minister insists not. "I am with the chancellor 100 per cent. We are not going to engineer a pre-election boom. That is not the game we are playing at all. Everyone has gone through a great deal of pain and a great deal of difficulty to put this economy on an even keel ... If anybody thinks we will recklessly throw that away then they are making a very serious misjudgement indeed."

Tax cuts will come when the economic conditions are right: "I do wish to put taxes down, I do wish to give people choice but I am not going to do it until it is economically right to do it".

But what about those company directors who have engineered their own private economic boom with hefty salary increases and share option packages? The electorate, to judge by the opinion polls, is appalled. Is Mr Major going to act?

Some of the increases, the prime minister agrees, have been "insensitive". He welcomes moves in the City towards a greater degree of self-regulation. He has held discussions on the issue with the Institute of Directors and the National Association of Pension Funds.

But in legislative terms there is little he can do: "The danger of government taking legislative action of some sort is that you in practice then impose a rather restricted pay policy upon a small number of people". His comments leave the impression that Mr Michael Heseltine, the trade and industry secretary and a fierce opponent of intervention, has prevailed in the cabinet debate on the issue.

There is time just at the end of the interview to look ahead. To the question whether he can remain prime minister until the end of the present parliamentary term in mid-1997, Mr Major answers a simple "Yes". And he intends to: "You sometimes have to tack and trim to get from Dover to some far distant port, but providing you get to the port a bit of tacking and a bit of trimming en route doesn't matter".

Trust must be won in Ulster

On the eve of talks today with Mr John Bruton, the newly-appointed Irish prime minister, Mr Major said the Northern Ireland framework document under discussion between London and Dublin would not undercut the rights of Ulster's unionist community.

He emphasised that the discovery at the weekend of an unexploded semtex bomb in Enniskillen showed the importance of the IRA decommissioning its armoury before Sinn Féin was brought into round-table political talks on the future of the province.

"What the planting of this device shows precisely is why it is so important to deal with the problems of weapons and explosives."

Referring to yesterday's bilateral contacts with Sinn Féin, Mr Major commented: "We have always made clear that there can be no question of political representatives of paramilitary organisations entering the political process until they have a commitment to exclusively peaceful methods – and have demonstrated that commitment to exclusively peaceful methods."

The prime minister would not specify how Britain would react to the decommissioning of the IRA weapons stockpile. But he expressed hopes that continued peace would bring further gradual moves in security and policing operations in Northern Ireland.

"Both the government and the Royal Ulster Constabulary would like to move to wholly civilian policing ... that is going to take some time but it is a clear objective."

In a response to suggestions from Mr Albert Reynolds, Mr Bruton's predecessor, that Britain had conceded the creation of a new cross-border institution with executive powers, Mr Major said: "There is no question of joint authority, which is what worries the people of Northern Ireland."

Mr Major stressed that, once completed, the framework document would be a basis for discussion among the Northern Ireland parties, not a blueprint for a new political settlement imposed by the British and Irish governments.

Any new arrangements would require the consent of the people and would be submitted eventually to a referendum. "If we have learned anything about the Northern Ireland problem over recent years it is that you have to carry the people of Northern Ireland with you," Mr Major said.

"We must earn and keep their trust and they must be clear that there is nothing going on that would unsettle either main tradition ... So those people who are thinking: 'Gosh, there is some murky work at the crossroads' are wholly wrong."

Mr Major expected today's meeting with Mr Bruton to be an informal discussion. He said it was too early to say whether the document would be completed in January.

"We will move ahead as speedily as we can. There are still some difficult issues to be determined. I think they are determinable but it will take a little while."

OBSERVER

Game, set and cash

■ It's obvious when you think about it. Ted Turner wants to buy NBC because otherwise his Turner Broadcasting Systems would look pretty silly in 1996, when Atlanta hosts the next summer Olympics. Turner's cable channels are based in Atlanta, yet would be unable to broadcast the games.

But NBC's owner, General Electric, is probably putting the price up each passing day. The rights to broadcast pictures of the games don't come cheap; NBC paid the International Olympic Committee $456m. And NBC reckons it's already reached half its $600m target for pre-sold advertising. Coca Cola promises $62m, General Motors $50m, and McDonald's $30m – and the games are still 19 months away.

Turner says he just wants a tiny slice of broadcasting rights. NBC chief Dick Ebersol, who wants to see something up front before striking any such deal, wants to see Turner's cash. Now, if a deal is struck, who might Turner fire first ...?

Passing the hat

■ Nigel Whittaker, the energetic Kingfisher director and chairman-elect of the British Retailers Consortium, is irritated that public references to cash being given to the Tory party gives the impression that Labour gets nothing from companies.

Whittaker says his own company is this year giving the Tories £25,000 – disclosed in the company's annual report – and also providing Labour with some £14,000, in the form of sponsorship and advertising.

Whittaker reckons that Blair's boys may soon be doing very nicely from undisclosed corporate munificence, and plans to canvass his fellow retail directors to ask them how much their companies surreptitiously give Labour.

Time, surely, for a Liberal Democrat to put forward a private member's bill banning any and all form of corporate donation to any political party?

Lionised

■ Christians at Lloyd's is not an updated version of chucking believers into the lions' den, but rather a group set up by people working at Lloyd's, partly to help distressed Names.

"If people are in the state that they are in, then we can't just walk by on the other side of the road," says Nigel Found, one of the group's stewards.

Found says Christians at Lloyd's also will fight the bad publicity the market has recently attracted: "When a market has fallen into disrepute in the way that, sadly, Lloyd's has, then we need to do something about that."

The group is tomorrow organising a meeting with pop singer Helen Shapiro, who suggests one of her records – *Walking Back to Happiness* – as a Lloyd's theme tune.

Surely the Eagles' hit – *Hotel California* – is more appropriate? As it says: "You can check out any time, but you can never leave."

Dual purpose

■ Visitors to the US Treasury are better off leaving their guns at home. Unfortunately, Charles Corry, the head of USX, owner of the country's biggest steelmaker, forgot that simple rule last week and now faces a maximum penalty of 180 days in jail.

It's an easy enough mistake for the modern business executive to make. Corry regularly lugs a .32 calibre pistol around in his briefcase. Well, who doesn't these days?

The snag is, he is only licensed to carry it in his home state of Pennsylvania.

Surprising as it may be, Washington DC has strict gun laws – everything is relative – and the state doesn't take kindly to visitors toting firearms. Corry's concealed weapon showed up on a scanner as he entered the Treasury, leading to his prompt arrest.

He will be explaining himself in court in January.

Demon barber

■ Wanted – a new Butcher of Broadway. The New York Times, whose theatre reviews used to be able to make or break new Broadway shows, is changing its theatre critic.

David Richards, the paper's lead theatre critic, is quitting after only a year in the job. The word is that his reviews have not been rude enough for some New Yorkers.

Richards' departure would not normally be worthy of comment except for the fact that New York is the hub of US theatre and the NYT is the only voice that really matters when it comes to reviewing shows. A bad review could kill a good show when Frank Rich was sitting in the lead critic's chair.

Richards' problem, on the other hand, seems to have been that his reviews have been a bit short on vitriol and this has caused a certain tension between him and his superiors.

Vincent Canby, 70, the theatre critic for the Sunday NYT, is standing in for the moment, but the word is that Ben Brantley, Richards' 40-year-old deputy, is warming up in the bull pen.

Ping-pong

■ Bad luck all those hoping to get in a round or two when next visiting China. Yesterday the state planning commission reinforced a freeze on all new luxury projects until the end of 1995.

New golf courses and race tracks will be delayed in the hope that fixed-asset prices will not continue to soar.

Of course, the only result will be sky-rocketing secondary trading of golf club memberships ...

QE ... D

■ Now we know why Trafalgar House wants that nice steady cashflow from Northern Electric: to pay off the hundreds of passengers denied boarding on Cunard's not-so-quick-fitted QE2.

MoDo
PULP, PAPER & PAPERBOARD

FINANCIAL TIMES
Tuesday December 20 1994

BARR CONSTRUCTION
Expanding by Contracting

Unilever delays board change after soap wars

By Roderick Oram, Consumer Industries Editor, in London

Unilever's problems with its revolutionary new detergents appeared yesterday to have disrupted the orderly succession to the Anglo-Dutch group's top job.

The company announced a postponement of previously announced boardroom changes amid mounting evidence that Persil Power and Omo Power, the detergents launched this spring, have failed to meet their targets.

Unilever spent some £200m ($312m) to bring its most ambitious new product in 15 years to market. But it has made no dent in the sales of Procter & Gamble, its American rival, which has about 35 per cent of the £6bn a year European detergents market against Unilever's 22 per cent.

P&G launched an unprecedented public campaign against the product, which Unilever had hoped would help it recapture the lead in European detergents it lost to P&G in the 1980s.

Unilever said that Mr Niall FitzGerald, vice chairman of Unilever plc, the British half of the Anglo-Dutch group, and head of its detergents business, would not be joining the special committee, the triumvirate that runs Unilever, as planned after next May's annual meeting.

His move to the special committee, announced last December, had been seen as a precursor to his taking over from Sir Michael Perry, chairman of Unilever, due to retire in May 1996.

Mr FitzGerald "has expressed the wish to continue as detergents co-ordinator for a further period," Unilever said. He would now join the committee in 1996.

The delay means the special committee will be down to two men for up to two years, an unprecedented situation in Unilever's 64-year-history.

The two special committee members are Sir Michael and Mr Morris Tabaksblat, chairman of Unilever NV, the Dutch arm. The third person on the committee is usually heir apparent to one of the co-chairmen.

A 49-year old Irishman, Mr FitzGerald would be the youngest chairman in Unilever's history.

It would be unusual for a new chairman to take up his post without serving on the special committee. Asked whether the change in timing meant Sir Michael would extend his tenure, Unilever said: "That would depend on events and needs."

The original version of the new Power detergent, sold as Persil in the UK and Omo on the Continent, came under a barrage of criticism for damaging some fabric under certain conditions. The group was forced to change the formulation after a flaw in it made it react to a some dyes.

"We wanted to add several points of market share but we might end up this year slightly down," a senior Unilever executive said yesterday. Unilever's detergents business accounts for 23 per cent of group turnover but Power detergents account for only some 1.5 per cent of sales.

People, Page 12

R-R signs deal for engines supplied by BMW

By John Griffiths in London

The next generation of Rolls-Royce and Bentley cars will be powered by BMW-supplied engines and developed in collaboration with the German car maker, under an agreement signed yesterday.

The deal between Rolls-Royce Motor Cars, the luxury cars subsidiary of UK engineering group Vickers, and BMW, which bought Rover Group from British Aerospace in January, followed nearly a year of negotiations.

Sir Colin Chandler, Vickers' chief executive, described it as "an extremely significant stage for the group in mapping the medium- and long-term future for Rolls-Royce Motor Cars, and in the continuing process of stabilising and positioning all the group's businesses for future growth".

BMW will supply V12 and V8 engines, which will be further developed with Rolls' Crewe engineers and Vickers' Cosworth Engineering subsidiary. The supply of other components is also under consideration.

The two companies will also explore ways of developing and marketing "Concept Java", a small coupé prototype. It has just completed a "world tour" of motor shows and received favourable reviews.

Sir Colin stressed Rolls-Royce was not for sale, nor would any equity stake be offered in it "for the foreseeable future".

The agreement relieves Rolls-Royce of the burden of developing its own engines – an increasingly complex and costly exercise.

The deal with BMW was reached only after Rolls-Royce had conducted parallel negotiations with Mercedes-Benz.

Sir Colin said Vickers had made maximum use of the rivalry between the two German groups. Mercedes-Benz declined comment.

The agreement would not mean job losses at the Crewe plant, said Mr Peter Ward, Rolls-Royce's chairman. Nor would BMW's name appearing on its cars.

Sir Colin rejected suggestions that a non-British partner was regrettable for a company which much of the world regards as a symbol of excellence. "We live in a global village and alliances of this sort are an everyday feature of the motor industry."

A link with non-UK companies is nothing new. All Rolls-Royce cars use a General Motors automatic transmission.

The deal comes as Rolls-Royce's sales are improving after one of the steepest falls on record. This year sales are expected to be around 1,400 cars, with analysts projecting profits for this year of up to £12m ($19.7m).

Rolls-Royce keeps hold, Page 6
See Lex

Chechnya

Continued from Page 1

remains strong, even among senior military officials, and the divisions are echoing in the Russian leadership. Lieutenant General Valery Vostrokin, a deputy minister for emergency situations, said in the neighbouring republic of Ingushetia yesterday that the army should not be used to establish order on Russian territory.

Interviews with officers and soldiers have revealed a widespread dislike of the duty they are being asked to perform – while there were reports that the commander of a motorised division which had refused to approach the city from the west had been replaced.

Mr Yeltsin was released yesterday from a Moscow clinic where he had been directing the military deployment for the past week after an operation on his nose.

In Moscow, troops and armoured personnel carriers were reinforcing the regular militia throughout the city.

The Moscow transport police announced yesterday that they had uncovered an arms dealing ring and had seized about 3,000 weapons.

They said they were investigating whether the arms were being delivered to trouble spots in Russia and elsewhere in the former Soviet Union.

N Korea shuns US call over crash pilots

By John Burton and Reuter

North Korea yesterday refused to hold a meeting requested by the US to discuss the return of a US pilot and the body of his co-pilot killed in the crash of their army helicopter in North Korea.

The announcement appeared to dash hopes that North Korea would try to resolve the incident quickly. But, in Washington, US president Bill Clinton said the matter was a "high priority" and that he was working hard for its resolution.

North Korean officials explained that their leadership was "too busy with the investigation" into the incident to hold talks on the pilot's release, according to a spokesman for the US military in Seoul.

North Korea's rejection of the US talks proposal could reflect deep divisions within the North Korean leadership on how to resolve the issue.

The North Korean military is believed to be opposed to Pyongyang's recent rapprochement with the US, and may try to use the incident as justification for its stance that the US still represents a threat to the country.

The Pyongyang government recently agreed to dismantle its nuclear programme in return for the establishment of diplomatic ties with the US. A long delay in solving the helicopter issue will increase pressure in Washington for the US to take a tougher stance on aid to North Korea.

The two-man OH-58 reconnaissance helicopter crashed on Saturday, three miles north of the eastern end of the demilitarised zone that divides North from South Korea.

The North Koreans claim that they shot down the helicopter, but the US says that it may have had to make an emergency landing after straying across the demilitarised zone because of a navigational error.

One explanation for Pyongyang's rejection of the proposed talks could be that the US wants to discuss the pilot's release through the military armistice commission which supervises the truce that ended the 1950-53 Korean war.

But North Korea withdrew from the commission earlier this year in an attempt to press the US to sign a peace treaty formally ending the war, although it still maintains low-level contacts with US the military at the border truce village of Panmunjom.

Setback for Turkey's trade pact hopes

Continued from Page 1

groundwork for the customs union had been agreed, with only the political issues of human rights and Greece's concerns over Cyprus standing in the way. Turkey is also due to receive Ecu600m ($760m) in financial aid from the EU, but this too has been blocked by Athens.

Mr Douglas Hurd, UK foreign secretary, said it was extremely important to maintain a partnership with Turkey.

Against a background of noisy Kurdish demonstrations outside the council building in Brussels, Mr Hurd defended Turkish efforts to improve their record on human rights.

"The Turks are taking quite substantial measures to legislate on human rights," he said, adding that the rights cause would not be advanced "one jot" by refusing a customs union.

THE LEX COLUMN

Trafalgar's tax heaven

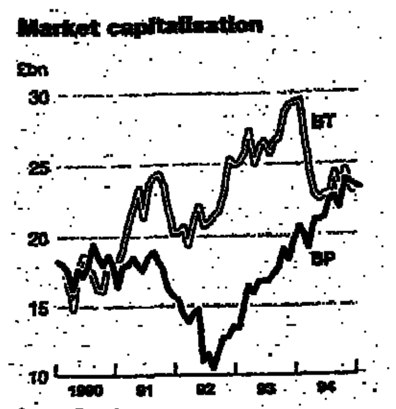
A tie-up between Trafalgar House and Northern Electric would be a marriage made in financial heaven. The strategic fit might be questionable, but the tax savings would be very real, far outweighing the £26m windfall pay-out to Northern's consumers if Trafalgar succeeded. Trafalgar holds substantial capital gains losses, after two terrible years. These would off-set capital gains from the demerger of Northern's National Grid stake, saving at least £50m in tax. The bidder has a further £223m of unrelieved Advance Corporation Tax to be used against electricity profits, and there are trading tax losses on top.

The financial logic should dissolve shareholder concern over the logic of moving into electricity distribution, about which Trafalgar knows little. Trafalgar's strategy of building stable earnings to fund infrastructure projects may not appeal to shareholders who had invested in a cyclical engineering and construction company, but Northern's share price, 30p below the cash offer, suggests little expectation of a bidding war. Delay through a referral to the Monopolies and Mergers Commission seems more likely, but it is hard to imagine the grounds on which the bid could be blocked.

The current discount to the offer price may instead reflect the fact that Trafalgar appears to have offered a full price. Only last week, political concerns were hounding the sector, and the likelihood of Labour government can hardly be said to have receded at Dudley West. Taxation notwithstanding, Trafalgar's non-Hong Kong investors may make it hard for the company to pay more.

FT-SE Index: 3034.4 (+20.8)

Market capitalisation



Source: Datastream

ITT/Caesars World

ITT believes casino gambling is potentially more lucrative than financial services. That much became evident from yesterday's $1.7bn purchase of Caesars World, coupled with its proclaimed determination to sell its loan and mortgage businesses during the coming few weeks. The rationale is not complicated. The immediate prospects for gaming are better than for ITT's loans operations; the North American gaming market is currently enjoying double-digit growth and enviable margins.

The strategy ITT chose to deepen its exposure to gambling through acquisition must be right. By buying Caesars, ITT gains an internationally recognised brand-name, acquires first-class management in an area where the group admits weakness and creates the possibility of synergies between the casinos and ITT's Sheraton hotels. By deciding to abandon its plans to construct a new Las Vegas casino, ITT also avoids increasing competition in an already tight market.

That said, the north American gaming market is evolving rapidly; present growth looks unsustainable as new capacity is being added at a rapid rate on river boats and in Indian reservations. ITT's turn at the gaming table will not be without its risks.

Rolls-Royce/BMW

Both Rolls-Royce, the Vickers luxury car subsidiary, and BMW have reason to congratulate themselves on their supply agreement. BMW has outsmarted its rival Mercedes Benz to forge a link which will considerably strengthen its position at the very top end of the automotive market. So soon after the Rover acquisition, it has again demonstrated its nimbleness in seizing the strategic initiative.

For Rolls-Royce, the alliance will secure its future as an independent company beyond the current generation of cars. Vickers has been good at cutting Rolls-Royce's costs and improving its efficiency but does not have the financial clout to develop a luxury car for the next century out of its own resources. Under the agreement Rolls-Royce will get engines and other components more cheaply than if it developed or made them itself, while BMW will be able to spread the costs of producing such large engines over higher volumes.

The deal has been done without Vickers having to cede a ha'porth of Rolls-Royce's equity, but the question of control may in time prove an irrelevance. In 10 years or so the German company is likely to have made itself indispensable to Rolls-Royce, so that BMW would be the obvious buyer should Vickers chose to sell. In the meantime shareholders in both companies should benefit.

Cadbury Schweppes

Cadbury Schweppes is in a bind. Its trading this year has been better than that of most food manufacturing companies, yet the immediate future looks troubled. The shares are down 8 per cent in the past month and nearly 18 per cent in the past year.

Investors' concerns are understandable, if overdone. They centre on Coca-Cola Schweppes Beverages, the UK bottling operation 51 per cent owned by Cadbury. While this has been the motor of the group's growth in recent years, the reliability – and therefore the quality of earnings – from this business has clearly deteriorated. The culprit is the outbreak of Cola wars as the supermarkets bring out their own products in an attempt to undercut the traditional premium prices enjoyed by Coke. Packaging prices are rising and next summer's weather is unlikely to be so clement as in 1994. It is thus probable that CCSB's operating profits will fall sharply next year.

The impact on Cadbury's earnings per share will however be diluted by the fact that CCSB is not fully-owned. Moreover, trading is strong in confectionery and Cadbury's earnings are likely to beat those of the sector as a whole next year; notwithstanding brokers' reduced profits forecasts. The period of underperformance for Cadbury should be coming to an end.

BP

British Petroleum yesterday overtook British Telecom to become the biggest company by market capitalisation on the London Stock Exchange. Admittedly, BP's achievement is not unaided – BT's share price fell yesterday as it went ex-dividend. The telecoms group has underperformed this year because of fears about competition from cable television and its less than ambitious dividend policy. But BP's success is real nonetheless. Its re-rating since 1992 is a tribute to the cultural revolution put in place by the the company's new management and its impressive earnings performance in a difficult environment.

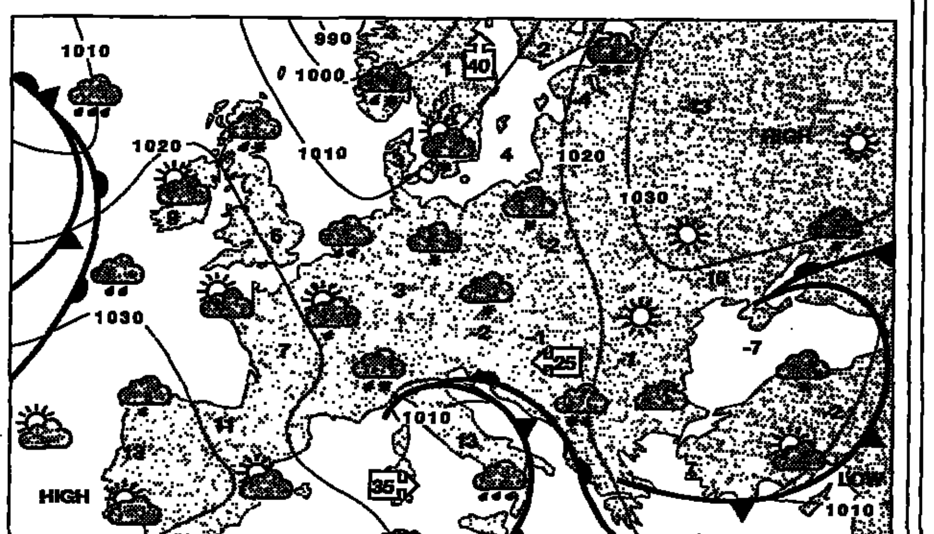
FT WEATHER GUIDE

Europe today

Wintry conditions will prevail in most areas as a surge of cold air spreads over north-western Europe. Conditions will improve in the UK but wintry showers will still affect the north. More wintry showers mixed with sunshine will occur in France and the Benelux, while, further east, less frequent snow showers will fall in Germany. An active low over the Gulf of Genoa will bring heavy rain to Italy and along the coasts of the former Yugoslavia, Albania and Greece. Widespread snow will fall at high altitudes in the Balkans, the southern Alps and Austria. Meanwhile, scattered snow showers will occur over the western Pyrenees. Conditions over the far eastern Mediterranean will improve, while European Russia will stay mainly dry and sunny but with frost.

Five-day forecast

In the North Sea region, wintry showers will gradually diminish allowing more sunshine but lower temperatures. The unsettled and rough conditions over Italy will move to the eastern Mediterranean, while northern and north-eastern Europe will become mainly dry but cold. Scandinavia will have a warming trend by the end of the week. Heavy snow will continue to fall on Wednesday in the Alps.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	27
Accra	fair	31
Algiers	shower	15
Amsterdam	shower	5
Athens	cloudy	10
Atlanta	sun	14
B. Aires	fair	25
B.ham	shower	5
Bangkok	fair	33
Barcelona	fair	13
Beijing	snow	1
Belfast	shower	5
Belgrade	cloudy	3
Berlin	snow	0
Bermuda	shower	21
Bogota	fair	21
Bombay	sun	33
Brussels	shower	3
Budapest	snow	0
C.hagen	shower	2
Cairo	cloudy	17
Cape Town	sun	28
Caracas	fair	29
Cardiff	fair	6
Casablanca	sun	15
Chicago	rain	6
Cologne	shower	3
Dakar	sun	31
Dallas	fair	18
Delhi	sun	23
Dubai	fair	27
Dublin	shower	6
Dubrovnik	rain	12
Edinburgh	shower	3
Faro	fair	17
Frankfurt	shower	3
Geneva	shower	2
Gibraltar	fair	17
Glasgow	cloudy	5
Hamburg	cloudy	3
Helsinki	snow	-1
Hong Kong	fair	18
Honolulu	fair	28
Istanbul	cloudy	5
Jakarta	fair	30
Jersey	fair	10
Karachi	sun	29
Kuwait	sun	15
L. Angeles	sun	21
Las Palmas	fair	21
Lima	fair	25
Lisbon	cloudy	14
London	fair	5
Lux.bourg	shower	1
Lyon	shower	4
Madeira	fair	18
Madrid	cloudy	8
Majorca	fair	15
Malta	rain	16
Manchester	fair	5
Manila	windy	30
Melbourne	fair	28
Mexico City	fair	22
Miami	fair	25
Milan	fair	6
Montreal	fair	0
Moscow	fair	-13
Munich	snow	-2
Nairobi	sun	26
Naples	rain	13
Nassau	fair	25
New York	sun	6
Nice	fair	12
Nicosia	fair	13
Oslo	fair	2
Paris	shower	5
Perth	fair	33
Prague	snow	-2
Rangoon	fair	33
Reykjavik	cloudy	2
Rio	cloudy	29
Rome	rain	13
S. Frsco	rain	14
Seoul	fair	2
Singapore	shower	30
Stockholm	fair	3
Strasbourg	shower	3
Sydney	fair	29
Tangier	sun	16
Tel Aviv	rain	14
Tokyo	fair	10
Toronto	fair	2
Vancouver	rain	10
Venice	rain	7
Vienna	snow	-1
Warsaw	snow	-4
Washington	sun	9
Wellington	fair	19
Winnipeg	fair	0
Zurich	fair	2

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Like all the best Italian cars, the Fiat Punto is recognised as a work of art. Demand for it is so great that 26 different models are now being assembled in three separate plants – it's already Italy's biggest selling car.

Bundy, sole producer of brake and fuel lines for the Punto, is significantly easing production pressures by setting up a manufacturing plant actually within Fiat's new integrated facility at Melfi, Southern Italy. **Bundy's** rapid response unit will help the automotive industry's youngest workforce achieve its highest productivity levels – a projected 1,200 vehicles per day – so keeping Fiat's little masterpiece on show at dealers all over Europe.

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IN BRIEF

Philip Morris sells Kraft Foodservice

Clayton, Dubilier & Rice, the US leveraged buy-out specialist, announced that it had agreed to buy Kraft Foodservice, the second-biggest food service company in the US, from *Philip Morris, the US food* and tobacco group. Page 19

Ahold ready to slim down
Ahold, the Dutch food retail group which operates six supermarket chains in the US, is considering hiving off some of its extensive US property holdings into a property investment fund. Page 18

Bertelsmann seals Ricordi takeover
Bertelsmann, the German media and publishing group, is to merge Ricordi, one of the oldest and best-known names in Italian music publishing, with BMG Ariola, its Italian subsidiary. This completes the friendly takeover launched in August. Page 18

Serafino Ferruzzi on brink of liquidation
Creditors of Serafino Ferruzzi, the private holding company which once controlled the Ferruzzi family's business empire, gave notice that they intended to put the company into liquidation. Page 18

Bleak year for German banks
This year has been bleak for Germany's big banks. Analysts have *downgraded their forecasts for* 1994, looking instead to improved results in 1995 as securities markets settle down and banks benefit from the economic upturn. Page 19

Toyota revises forecasts
Toyota Motor, the leading Japanese carmaker, has revised upwards its profit forecasts for the first half to December, after cost-cutting had lifted unconsolidated operating and recurring profits, before *extraordinary items and tax, to 10* per cent above its original forecast. Page 20

Moore Corp gets sophisticated
Canada's Moore Corp has taken a big step towards shifting its emphasis from paper forms to more sophisticated information-handling systems by selling the bulk of its stake in Toppan Moore, Japan's biggest business-forms supplier. Page 20

Lonrho and Gencor go for gold in the CIS
Lonrho, the London-based international trading combine, and Gencor, the South African mining group, are setting up a joint company to develop gold mines in the former Soviet Union. Page 26

Stanhope wins breathing space
Stanhope yesterday won a three day breathing space as banks agreed to extended the property developer's borrowing facilities until Thursday. Page 22

Standard Life expands health side
Standard Life, the UK's largest mutual life insurer, is to inject a further £10m ($16.4m) into Prime Health, its *health insurance subsidiary,* to help its expansion in the intermediary market. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AG Ind & Verk	487	+	11
BMW	780	+	9
Daimler Benz	757.5	+	10.5
Heidelb Zem	1198	+	18
Falls			
Asko	731	–	9
Holzmann	840	–	7
NEW YORK ($)			
Rises			
CSX	68¾	+	1⅛
Caesars World	65¾	+	20⅛
US Shoe	19⅝	+	2⅜
Falls			
Ben & Jerrys	10	–	1⅜
Intel	58	–	1½
Philip Morris	57⅛	–	⅜
PARIS (FFr)			
Rises			
Bouygues	550	+	16
Intertechnique	506	+	16
Falls			
Accor	558	–	11
Cr Foncier	782	–	9
Immobanque	839	–	17
Seb SA	523	–	10
TOKYO (Yen)			
Rises			
Mitsukoshi	1020	+	22
Nippon Steel	359	+	4
Sakai Ovex	683	+	25
Tokyu Dept	686	+	26
Falls			
Konica	796	–	4
Mitsui	829	–	4

New York prices at 12.30.

LONDON (Pence)			
Rises			
Apollo Metals	85	+	5
Barcom	41	+	3
Berkeley Grp	342xd	+	16
E Midlands Elect	851	+	41
Henderson Adm	1040	+	25
Huntingdon Int	30	+	10
Kingfisher	429	+	15
London Clubs	289	+	13
London Elect	774	+	31
McAlpine (A)	160	+	6
Northern Elect	1018	+	33
Pict Pet	155	+	14
Portals	865	+	45
Redland	12	+	2
SEET	61	+	5
S Wales Elect	879	+	26
Trafficmaster	181	+	21
Vega Grp	243xd	+	11½
Wills Grp	17¾	+	2⅜
Falls			
Berndene Inv	37½	–	2½
Stanhope	6	–	8
Sterling Publ	96	–	8
VideoLogic	58	–	5
Warburg (SG)	685	–	28

ITT gambles on Caesars World

By Richard Tomkins in New York

ITT, the US conglomerate that has been seeking to expand in the leisure industry, is to buy Caesars World, one of the best-known names in gaming, for $1.7bn in cash.

ITT has agreed to buy the company for $67.50 a share through a tender offer beginning on Friday. Caesars World's shares shot up $20⅛ to $65⅝ on the news, while ITT's eased $⅛ to $81⅝.

Caesars World had net income of $78.4m on revenues of $1bn in the year to last July. It has three casino and hotel complexes – in Las Vegas, Atlantic City, and on the shore of Lake Tahoe in the Sierra Nevada.

The biggest of the three, Caesars Palace in Las Vegas, occupies an 80-acre site on the famed Las Vegas Strip. It is based on an ancient Rome theme, with toga-clad dealers and a massive chariot parked in a corner. Zagat, a US hotel guide, describes the hotel rooms as "like a bordello", with circular beds and overhead mirrors.

ITT's businesses include insurance, communications and information, automotive sales, fluid technology and defence. Recently, however, it has been trying to expand in the growth sector of leisure and entertainment, where it is already active through its ownership of the Sheraton hotel chain.

Earlier this year ITT began the process of taking over Ciga, the Italian luxury hotel group, of which it now owns 70 per cent. In August it acquired the Madison Square Garden sports and entertainment complex in New York for $1.1bn in partnership with Cablevision Systems, a US cable television company.

In September ITT said it was seeking buyers for its financial services subsidiary, ITT Financial, in a sale that could fetch $3bn-$4bn. It wanted to use the funds to expand its leisure interests further.

ITT is already in the gaming industry: it owns the Sheraton Desert Inn hotel and casino complex in Las Vegas and a riverboat casino in Tunica, Missouri.

In May it said it was going to build a $750m Desert Kingdom hotel and casino complex in Las Vegas, but in October it cancelled the plans. Yesterday's agreement indicated that ITT now plans to buy existing gaming interests rather than build its own.

ITT expected the acquisition to be non-dilutive and to add to earnings in the first year. It said the combination of Caesars World with Sheraton would create on the world's strongest hotel and gaming businesses.

Lex, Page 16

Warburg director to leave in bond shake-up

By John Gapper, Banking Editor, in London

S.G. Warburg, the UK-based investment bank, yesterday signalled a shake-up of its bond operations after the collapse of its planned merger with Morgan Stanley by replacing the heads of its fixed-interest and treasury division.

The investment bank brought in Mr David Burnett, the head of its UK equities business, to take over from Mr Peter Bass and Mr Peter Twachtmann. He is expected to re-structure bond operations, which have performed poorly this year.

Mr Twachtmann, a board director who has been with Warburg for 26 years, is leaving the bank after being told the news on Friday. Mr Bass is to take a position in Warburg's US arm, a move he was already planning.

Before taking over Warburg's UK equities business, Mr Burnett's job was to re-shape the Tokyo equities operation. He is given credit for returning it to profit, and re-shaping it after the Japanese equity market collapse.

Warburg told staff in an internal note yesterday that Mr Burnett's task "in the face of continuing difficult market conditions" was to "reinvigorate and renew" the firm's fixed interest operation.

The shake-up was planned before the collapse of the merger plans last Thursday, but was implemented when Warburg's board met to consider Morgan Stanley's merger pull out.

Warburg has a strong presence in sterling Eurobonds, and is a gilt-edged market maker. However, its operations in other European government bonds are likely to be reviewed.

Warburg's US operation, employing more than 800 staff, could also face further changes. It has expanded rapidly in the past two years under Mr Tom Wyman, a Warburg vice-chairman, who has been in charge of building its US presence.

Mr Wyman said yesterday that Mr Bass's new role was "not exactly" decided. He said Warburg would continue its growth in the US.

He said there was unlikely to be a change in the balance of control between London and New York. "I would not be here if I was concerned that functional management in London would be taking control in a decisive way," he said.

Sir David Scholey, Warburg's chairman, said on Friday that Warburg intended to resume a strategy of independent expansion "with adaptations and variations". The bank's shares yesterday closed 28p down at 685p.

Peter Montagnon reports on how global ripples alter prospects

Asian markets feel the squeeze in a small world

Five years ago, says one Asian stockbroker, it would have been unthinkable for the region's markets to have tumbled on the news that a local authority in the US had gone bankrupt. That this has been the case with California's Orange County is an indication of how global markets have become.

Asian shares fell sharply as Orange County's troubles hit the headlines with Hong Kong particularly badly affected, though many have since recovered some lost ground as Wall Street rallied and bargain hunters stepped in.

Fund managers say the underlying tone remains weak and admit that 1994 has been pretty disappointing after last year's stellar performance. Attention is now turning to whether 1995 will be better.

Perhaps Asia will shake off the interest rate gloom emanating from the US and resume its position at the top of the world performance league. But confidence is far from strong, even for the slightly longer term.

In theory there are good arguments why Asia markets should recover. While interest rates have tended to rise around the region in response to tighter money in the US, the effect on economic output should be marginal with most countries expecting little worse than a slight softening of this year's high growth rates.

Indeed the Hongkong and Shanghai Bank has forecast a slight increase to 5.8 per cent from 5.5 per cent in Hong Kong's growth next year despite higher interest rates and the weaker tone of the property market.

"We're not on the cusp of a recession here," says Mr John Mulcahy of UBS Securities in Hong Kong. High economic growth rates will continue to drive corporate earnings next year.

"Asia is delivering more than its fair share of earnings growth," adds Mr David Bates of Asia Equity in London. "Therefore de-coupling [from the US] in 1995 is a fair possibility."

It is a measure of the uncertainty facing the markets, though, that few brokers and fund managers are predicting a speedy turnround when the new year gets under way. Several think the markets could fall further before real buying opportunities emerge.

Part of the problem is that no rally can be sustained by local investor demand alone. Asia needs foreign capital to sustain its high growth rate and some brokers argue that local investors have neither the cash nor the confidence to drive equity markets higher on their own.

Share prices will only really start to recover properly, they argue, once foreign institutional liquidity returns. Yet Asia is low on the shopping list of US investors now they can obtain higher yields in the money and bond market and while they remain worried about redemptions from mutual funds in the wake of the Orange County crisis.

An indication of the extent to which this is affecting Asian investments is the way it has exposed large individual stocks such as Indonesia's Indosat in which foreigners have a sizeable stake. Indosat fell 14 per cent in the first 12 days of December, though it has since made up part of the drop.

Similarly liquid markets such as Hong Kong have also taken a hammering.

On this basis it would appear that the markets least at risk are those such as South Korea and Taiwan which are insulated from the ebb and flow of foreign liquidity by regulatory controls on overseas investment.

But others will not necessarily recover automatically. Part of the question is whether US buyers will return in force at all if higher interest rates make equity investment generally less fashionable in the US than invest*ment in bonds and money market* instruments.

Mr Angus Armstrong, Morgan Grenfell's economics director in Hong Kong, argues that Asian equity markets still do not look that cheap, not least because higher interest rates reduce the earnings multiple at which they become attractive.

The real question, he says, is where the capital flows will go. "The markets which will suffer most are those which have been most exposed to international capital flows."

Markets where currencies are formally or informally aligned to the US dollar are particularly vulnerable to repatriation of foreign investment. This category, he says, includes Singapore, Malaysia and Thailand as well as Hong Kong.

Then there are regional factors. Overshadowing the Hong Kong market, for example, are worries that China's economy might be heading for a hard landing. The Chinese companies which are quoted there make up for a small proportion of total capitalisation, but they have been particularly hard hit in recent weeks as worries have grown about the ability of state enterprises to service their debts and about the cavalier way China has treated some foreign investors such as the restaurant chain McDonald's which has had its lease in Beijing terminated.

There remains a risk that China will fail to get to grips with the twin problems of controlling inflation and reining in state enterprises. If that happens the repercussions would be felt further afield, given the extent to which companies from countries such as the Philippines, Taiwan and Singapore have invested in China.

Malaysia has also disappointed this year. Some investors hope that elections expected next year will help lift share prices as political parties step up their spending to win voter support.

The same could be true of Thailand where the coalition government is in disarray and where, *according to Asia Equity's Mr* Bates, an election adds half a percentage point to gross domestic product.

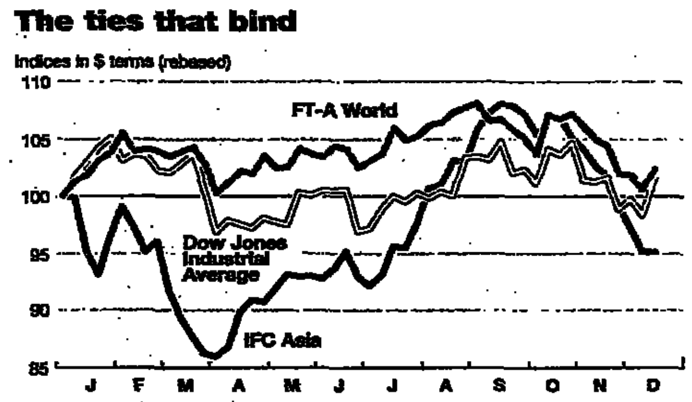
Another worry is that Japanese investment in the region could slow when the yen starts to weaken. The easier situation facing Japanese companies would be good news for Tokyo equities, but higher exchange rates would erode the competitive advantage of other Asian countries.

By 1996 the earnings position could look a lot weaker. BZW is forecasting that earnings growth that year will have fallen sharply on this year's level in almost all markets, except the Philippines.

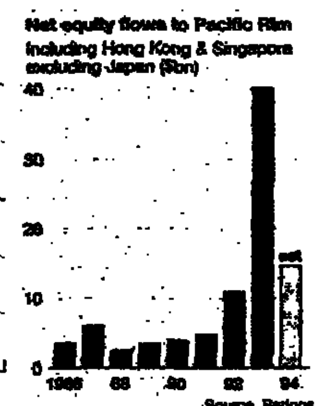
Crosby Securities believes Thailand will show earnings growth of 21.5 per cent in 1996 against 21.9 per cent this year. Earnings growth will be slightly higher by then in Singapore but it will have fallen back in Hong Kong, Malaysia and, in contrast to BZW's forecast, the Philippines.

In other words, earnings growth may be reasonable next year, but doubts are creeping in *about 1996. Those who are punt*ing on an Asian market recovery next year must believe US liquidity will return before the markets start looking past the peak of the earnings cycle.

The ties that bind



Source: FT Graphite



Source: Barings

Trafalgar launches power bid

By Michael Smith and David Wighton in London

Northern Electric, the regional power distributor for north-east England, yesterday rejected a £1.2bn ($2bn) offer from Trafalgar House.

Northern's board said it could see no advantage to its shareholders in becoming part of a "financially challenged conglomerate, *effectively controlled by an* offshore minority shareholder".

Hongkong Land, a subsidiary of Bermuda-based Jardine Matheson, has a 25 per cent stake in Trafalgar, which has interests in construction, property, engineering and shipping.

If Trafalgar succeeds with its bid, signalled last Wednesday but officially launched yesterday, it intends to offer a £20 rebate to each of the utility's 1.3m to 1.4m customers.

Mr Brian Wilson, Labour party industry spokesman, called for the bid to be referred to Britain's Mergers and Monopolies Commission. The bid is also being considered by Prof Stephen Littlechild, industry regulator. Mr Nigel Rich, Trafalgar chief executive, said Prof Littlechild had told him on Sunday that he would be consulting publicly.

Mr Simon Keswick, Trafalgar chairman, said he did not believe the bid would be referred to the *MMC. "In our judgment, it is* unlikely," he said.

Northern's shareholders are being offered £44.35 in cash and 65 new Trafalgar convertible preference shares for every 10 shares they hold. With the convertibles down 3½p to 94½p yesterday this valued each Northern share at £10.58. There is also a full cash alternative of £10.48 a share compared with Northern's close of £10.18, up 33p.

Northern shareholders can opt to obtain part of the consideration in the form of "grids", interest-bearing bonds which give them rights to shares in the National Grid, 6.5 per cent of which is owned by Northern, if it is floated next summer.

For these purposes, Trafalgar estimates that each Northern share contains £2 for the Grid element. This implies a market capitalisation for the Grid of about £3.5bn against estimates of more than £4bn.

Hongkong Land has agreed to buy the first £310m of preference shares to meet elections for the cash alternative, Following implementation of the offer, it could hold up to 31 per cent of the ordinary shares of Trafalgar assuming full conversion. However, it said it had "no present intention" of holding more than 30 per cent of ordinary shares.

Trafalgar is advised by Swiss Bank Corporation and Northern by S.G. Warburg.

Observer, Page 15; Lex, Page 16; *Background*, Page 22

Steel groups forge US venture

By Richard Waters in New York

Three big steelmakers from the US, the UK and Japan announced a joint venture to produce low-cost steel in the US, a move which could be followed by similar ventures around the world.

LTV has a 50 per cent stake in the venture, called Trico Steel, with British Steel and Sumitomo Metal Industries holding 25 per cent each. Together they will spend $450m to build a "minimill" in the south-eastern part of the US, with production due to begin in 1996.

Minimills make steel from scrap, skipping many of the steps in traditional steelmaking. By employing newer technology and non-unionised labour, small minimill companies have become the low-cost producers of the steel industry. Led by Nucor, which pioneered the technology in the US and which is now the country's most profitable steelmaker, they have taken more than a third of the US steel market from old-line makers.

The plant will have the capacity to manufacture 2.2m tons of flat-rolled steel a year, making it one of the biggest minimills in the US.

Mr Brian Moffat, chairman of British Steel, said the venture would expand the company's involvement in the US and in the "rapidly evolving minimill technologies". LTV said of the three-way relationship: "This will be very important long-term. This is now a global business."

Big old-fashioned steel companies, which have spent much of the past decade reeling from falling demand and prices, are trying to regain the lead in new production technology. US Steel, the US's biggest producer, recently announced a feasibility study with Nucor into a new generation of minimill technology which could bring down production costs still further.

Through the Trico venture, all three companies "will have the chance to gain experience of minimill technology", said LTV.

The venture signals renewed expansion at LTV, once one of the US's biggest and most diverse industrial conglomerates. In June 1993 the company emerged from seven years in bankruptcy, having been stripped of many of its busi*nesses. It is now the US's third* biggest steelmaker, with production of 7.9m tons last year. Trico will make flat-rolled steel to compete in the hot-rolled and higher-value cold-rolled markets.

December 1994

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BANQUE FRANCO ALLEMANDE

Bertelsmann seals Ricordi takeover

By Andrew Hill in Milan

Bertelsmann, the German media and publishing group, is to merge Ricordi, one of the oldest and best-known names in Italian music publishing, with BMG Ariola, its Italian subsidiary. This completes the friendly takeover launched in August.

The German group also announced yesterday that BMG Ricordi, as the new company will be known, would seek strategic partners from the retailing sector to help develop Ricordi's chain of music and book stores across Italy.

The sum paid by Bertelsmann for a 74.3 per cent stake in Ricordi has never been revealed, but the purchase this summer prompted a bout of patriotic distress in Milan, where the publisher is based. The merged group will have combined sales of more than L350bn ($214m) and just under 1,000 employees.

Established at the beginning of the last century, Ricordi is closely linked with the world-famous opera house of La Scala.

In the second half of the 19th century, Ricordi's position as official printer of some of Italy's best-known composers, such as Rossini, Bellini, Donizetti and Verdi gave the publisher a virtual right of veto over the choice of works for La Scala's operatic season. Since then it has diversified into popular music.

Mr Arnold Bahlmann, senior vice-president of BMG International, which groups Bertelsmann's music publishing interests, confirmed yesterday that the German company had bought up the minority interests in Ricordi and owned 100 per cent of the parent company, G. Ricordi.

However, Mr Bahlmann reassured Italians that after the merger the artistic heritage of Ricordi would be preserved through a separate subsidiary called Casa Ricordi, which would group together the classical sheet music activities of the publisher, and the collections of valuable manuscripts and documents.

"Neither the composers, nor the manuscripts, nor the money are leaving Italy, because we have invested a lot in the country and we want to earn it back," he said.

Apart from Casa Ricordi, BMG Ricordi will concentrate on four core areas – records, pop music publishing, video and multimedia – which it hopes will dovetail with Bertelsmann's international publishing and multimedia ambitions.

Mr Bahlmann said the group wanted to realise the potential of the 22 Ricordi shops in 15 Italian cities, four of which have been turned into multimedia megastores.

He admitted the German group did not have retailing expertise, and was seeking a partner. Negotiations have not begun, but the group had received some expressions of interest.

Serafino Ferruzzi on brink of liquidation

By Andrew Hill

Creditors of Serafino Ferruzzi, the private holding company which once controlled the Ferruzzi family's business empire, yesterday gave notice that they intended to put the company into liquidation.

The move would finally cut the Ferruzzi family's financial ties with the Ferruzzi-Montedison industrial group, which came within hours of filing for bankruptcy last year, brought to its knees by alleged corruption and mismanagement.

Creditor banks yesterday told the Ravenna bankruptcy court which has been hearing the case that they were intending to liquidate Serafino Ferruzzi. The move was backed by Ferruzzi Finanziaria (Ferfin), the quoted holding company in which Serafino still has a 12 per cent stake.

Italian news agencies said the Ferruzzi family's representatives supported liquidation, which requires formal approval by the regulatory authorities. Shareholders would nominate a liquidator at a special assembly, probably before the end of the year.

The trigger came at the weekend when Ferfin's directors reluctantly agreed to renounce L326bn ($199m) owed to Ferfin by Serafino, and write off a L100bn issue of Serafino bonds held by a related company.

In exchange, the family company will write off a L169.9bn Ferfin debt. Mr Guido Rossi, Ferfin chairman, held out against such a solution until the weekend when it became clear that otherwise Ferfin might have to repay the debt to Serafino, without recovering what it was itself owed.

Ferfin said the net write-off would affect the group's 1994 accounts. Ferfin was expected to record a net loss for the year. The company said that loss would still be lower than in 1993, in spite of the unexpected increase in extraordinary charges.

The 12 per cent stake in Ferfin is likely to be taken up by the banks, which are the holding company's largest shareholders.

Ahold's US properties may be put into investment fund

By Ronald van de Krol

Ahold, the Dutch food retail group which operates six supermarket chains in the US, may hive off some of its US properties into a property investment fund.

A decision on the fund, which would be opened to participation from institutional rather than private investors, is expected in early 1995.

The company is discussing the idea with Dutch institutional investors.

Ahold declined to say how much money it hoped to raise through the investment fund. However, it said it was not likely to seek a listing for the fund.

The company operates 600 supermarkets in the eastern US, making it one of the 10 largest food retailers in the country. Some of these properties are owned outright, while others are leased.

A study into a US property fund got under way several weeks ago, in response to keen interest among Dutch institutional investors for new property funds, particularly in the US.

Ahold said it was too early to say how many of the properties on which its US supermarkets are located might be transfered to the fund.

It would not comment on a report in the Dutch property trade magazine Vast Goed Markt which said the fund would start with assets of $100m divided over 10 supermarket properties.

The company's 600 US stores are in six regional chains from South Carolina to New England. The US supermarkets generate about half of Ahold's annual turnover.

Danisco exceeds expectations

By Hilary Barnes in Copenhagen

Danisco, Europe's fourth largest sugar producer, lifted pre-tax profits in the half-year to October 31 by 25 per cent to DKr568m ($92m) from DKr453m, better than the company had predicted.

The group forecast a rise in profits of between 15 per cent and 20 per cent for the full year, an upward adjustment of earlier forecasts.

Group sales increased 10.5 per cent to DKr7bn from DKr6.33bn.

The group has interests in sugar, distilling, snacks, frozen pea production, food ingredients and packaging. All did better than last year, according to the interim report.

Food and beverages sales increased to DKr4.2bn from DKr4.07bn and operating profits rose to DKr504m from DKr394m. Sugar sales were strong in the first half, but are expected to dip in the second half because the beet harvest was below normal.

The group said Sweden's decision to join the EU would have a positive impact on results. Danisco acquired Socker Bolaget, the Swedish monopoly sugar producer, two years ago and is in a position to consider structural changes in the Swedish industry, the interim report said.

In Germany, rationalisation at factories in eastern Germany has been completed.

Danisco's EU sugar quota in Denmark is 425,000 tonnes. The group said production would exceed this but would not reach last year's 521,000 tonnes. In Germany, the quota was 126,000 tonnes, but production this year would not be more than 105,000 tonnes. In Sweden, production this year is expected to be about 330,000 tonnes, about 50,000 tonnes less than in 1993-94.

Grindsted Products, the food ingredients company, which produces enzymes for food processing, increased sales to DKr1.10bn from DKr999m and operating profits to DKr169m from DKr152m.

The packaging division increased sales to DKr1.72bn from DKr1.27bn.

Eni sees profit rising to more than L2,500bn

By Andrew Hill

Eni, Italy's state-owned chemicals and energy group, said yesterday it was heading for a net consolidated profit of more than L2,500bn ($1.53bn) for 1994.

The announcement was made to 100 top managers of Eni at a convention last week, and is the latest in a series of optimistic statements intended to smooth the way for partial privatisation of the group next year.

Eni said turnover would rise to L54,500bn for 1994, in spite of the continuing programme of asset sales and winding-up of subsidiaries. The group, still burdened by debt, returned to profit in 1993 when it made L419bn after tax, on turnover of L53,900bn.

The Italian government has put the most profitable oil and gas divisions of Eni on the list for privatisation during 1995, but the timetable is crowded by other proposed sell-offs.

However, Eni said the group had "the wind in its sails". Its divestment programme has raised some L4,100bn since September 1992, helping reduce debt in 1994 by L3,000bn to L25,000bn. The quoted chemicals subsidiary, Enichem, had returned to operating profit following an extensive restructuring.

Coflexip merges with Stena unit

By David Lascelles, Resources Editor

Coflexip, the French oilfield services company, yesterday completed a $230m merger with Stena Offshore, the offshore contracting arm of Stena of Sweden.

The two companies claimed the deal would create Europe's largest offshore contracting company, and the world's seventh largest by market capitalisation.

The merger was financed by issues of shares and convertible Coflexip stock which, when fully exercised, will give Stena 32 per cent of Coflexip.

Coflexip, which specialises in flexible sub-sea pipework, is based in Paris and had sales of $379m and profits of $33m in 1993. About 40 per cent of its business is in the North Sea. It also has facilities in Australia, Brazil, Singapore and the US.

Stena Offshore specialises in sub-sea contracting in the North Sea. Revenues in 1993 were $321m and operating profit $34m. The company has its headquarters in Aberdeen, Scotland, and employs 1,600.

Mr Derek Leach, vice-president of marine and north sea operations for the combined group, said the merger reflected the changing conditions of the offshore contracting market, where weak oil prices were putting pressure on exploration and forcing companies to cut costs.

Increasingly, he said, oil companies wanted contractors who could provide complete solutions for offshore work.

In addition, the declining size of new finds in the North Sea meant more wells were serviced by seabed technology rather than platforms. "This is a market niche where both companies are market leaders," he said.

The combined company will be known as Coflexip/Stena Offshore.

Arcon boardroom dispute settled

By Kenneth Gooding, Mining Correspondent

The boardroom upheaval at Arcon International Resources, the Irish company in which Mr Tony O'Reilly, chairman of Heinz Foods, has a 23 per cent stake, has been settled with "an amicable and confidential agreement" and the immediate resignation of four directors.

All four have been associated with the company since it was founded as Conroy International.

They are Mr Richard Conroy, former chairman and chief executive; his brother Mr Desmond Conroy; Miss Maureen Jones, director responsible for administration and management; and Mr James Jones, director responsible for finance.

Arcon issued an agreed statement saying they would "pursue other business interests".

The boardroom split came into the open in October when Mr Richard Conroy, Miss Jones and Mr Jones, resigned their executive roles claiming that, in their opinion, Arcon had "unilaterally and wrongfully repudiated their contracts".

Mr Brendan Gilmore, one of Mr O'Reilly's close confidants, was immediately appointed chairman and chief executive.

Arcon is preparing to start a $65m lead-zinc mine at Galmoy in County Kilkenny, Ireland's first new base metals mine for 20 years.

With his associates, Mr O'Reilly controls 29.9 per cent of the company while Outokumpu, the state-owned Finnish resources group, owns 21.6 per cent.

Mr Richard Conroy, with associates and family, owns about 5 per cent. He set up Conroy, an investment company, two years ago. Among other interests, it has large mineral claims in Finland where it is looking for gold and diamonds.

Ascom appoints chief executive

By Ian Rodger in Zurich

Ascom, the troubled Swiss telecommunications equipment group, has appointed Mr Hans-Ulrich Schroeder as its chief executive. He is currently head of the German unit of Alcatel, the French telecoms group.

Mr Schroeder, a Swiss, will replace Mr Fred Sutter, a long-serving Ascom executive who stepped in a year ago when Mr Leonardo Vannotti was sacked.

The Swiss group, which has suffered two years of losses and business and management upheavals, said it had returned to profit in 1994 while net debt had been cut by one-third to about SFr600m ($451m) in the past 12 months.

Ascom is the product of a 1987 merger of three traditional protected suppliers to the Swiss PTT. It has been struggling to develop a strategy to cope with liberalised telecommunications markets.

In the wake of Mr Vannotti's departure and a 1993 loss of SFr336.7m, it was suggested the group be broken up. But the directors approved restructuring, recognising the customer base was too small to support a full range of telecoms activities. Ascom has sold off and closed several activities, and concentrates on three product lines: telephone sets and related systems, corporate network systems, and coin- and card-operated telephones and vending machines.

● Georg Fischer, the Swiss foundries and engineering group, is to acquire Schubert & Salzer Eisenguss, a Leipzig-based iron foundry that makes cast iron components for heavy vehicles and construction machinery. The foundry employs 300 and 1994 sales are expected to be DM65m ($41.4m).

This announcement appears as a matter of record only. December, 1994

Saga Petroleum a.s.

US $850,000,000

7 year Revolving Credit Facility

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ABN AMRO Bank N.V. **Barclays Syndications** **Deutsche Bank AG London**

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Christiania Bank og Kreditkasse **Den norske Bank**

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INTERNATIONAL COMPANY NEWS

German banks hope to shake off the chill

Analysts see a recovery next year after 1994's bleak performance, writes Andrew Fisher

The snow is late in Germany this year, but winter arrived early for the country's big banks. As the latest crop of results for the first 10 months shows, 1994 has been a bleak year for their financial performance.

The most obvious damage has been caused by the decline in bond markets. This ravaged profits on financial trading on the banks' own accounts, after a bumper year in 1993. They have been only partly successful in compensating for this with a better lending performance and with their ability in a fast recovering economy to start making lower provisions for loan risks.

Analysts have downgraded their forecasts for the whole of 1994, looking instead to improved results in 1995 as securities markets settle down and banks benefit from the economic upturn.

This year, the bond market rout, caused by rising interest rates, has hit them in two ways: through their own-account trading activities, with heavy write-downs on bond holdings, and through a fall in commission business.

"It is very disappointing all round," said Mr Peter Thorne, banking analyst at Paribas Capital Markets in London. He said the German banks' weak results could presage bad figures from banks elsewhere in Europe.

Dresdner Bank's explanation of its derivatives trading – with a loss by its Paris-based derivatives subsidiary on the trading account offset by a profit on the interest income side – raised questions about the way banks in general dealt with this complex and controversial side of their business.

"The first question is how much else of a similar nature they are not telling us about," Mr Thorne said.

Mr Bryan Crossley, banking analyst at stockbrokers Hoare Govett in the UK, agreed, seeing "a certain amusement value" in the way Dresdner explained how derivatives losses were matched by profits on linked securities.

Overall, Dresdner ended up with a 17 per cent decline in group operating profits compared with falls of 15 per cent at Deutsche Bank and 27 per cent at Commerzbank (although asset sales lifted its pre-tax result considerably).

By far the best performers among the top listed banks in Germany were the Bavarian banks. Bayerische Vereinsbank and Bayerische Hypo-Bank recorded declines of only 2 per cent in operating profits for January-October against the same period of 1993. But their financial trading profits suffered as badly as those of their Frankfurt rivals.

The top five listed banks (DM)

	Operating profit*	Partial operating profit†	Financial trading income‡
Deutsche Bank	3.6bn (-15%)	4.7bn (-8%)	543m (-63%)
Dresdner Bank	1.3bn (-17%)	2.8bn (+17%)	-301m (-156%)
Bay. Vereinsbank	0.9bn (-2%)	1.6bn (+10%)	6m (-96%)
Bay. Hypo-Bank	0.8bn (-2%)	1.8bn (+9%)	-63m (-132%)
Commerzbank	0.7bn (-27%)	1.8bn (+14%)	56m (-88%)

* After risk provisions † Interest and commission income less administrative expenses ‡ Own-account securities, foreign exchange and other transactions

The strength of their mortgage banking business, which showed through in a strong interest income result, gave the two Munich-based banks extra resilience. At Vereinsbank, new loan approvals for private housing were about 10 per cent higher at nearly DM12bn ($7.6bn). But as Mr Albrecht Schmidt, the bank's chairman, said, property lending has lost much of its dynamism this year.

Across Germany, mortgage loan approvals have been falling sharply after the earlier impetus provided by the rush to conclude deals before tax concessions were reduced and by low real interest rates. Yet this is not the only cause of concern over the two Munich banks. Analysts' eyebrows have been raised by their rapidly rising labour and investment costs.

The banks say these reflect investments that will pay off later by providing better service and advice to customers.

"Those who do not invest now will be punished by the competition," said Vereinsbank's Mr Schmidt. His bank is spending DM400m on information technology this year, with total spending up 11 per cent, similar to that of Hypo-Bank. By contrast, Deutsche Bank's expenses rose 6 per cent and Commerzbank's 4 per cent.

With German banks feeling the competitive pressure as customers become more particular about services and fees, there was much talk at the autumn press conferences about direct banking, lower securities dealings costs and better value all round. Public scepticism has been felt at the banks. As a result, said Mr Schmidt, "competition between the banks is more drastic than ever".

Shareholders have been watching such trends with interest, especially in a year when bank stocks have underperformed the market by about 16 per cent. But next year's profits performance should be more satisfying.

"We expect the stock market to reward the improved profits outlook for the banks in 1995 and 1996," said Mr Thomas Radinger, Vereinsbank's banking analyst.

The continued economic recovery should stimulate credit demand and further lessen the need for new risk provisions, he added. For Deutsche Bank, he expects a rise in earnings per share to DM59 next year and DM70 in 1996 after a decline in 1994 to DM50.5 from 1993's DM53. For Dresdner, he forecasts DM23 in 1994 after DM28 last year, DM33 in 1995 and DM41 in 1996.

For two sets of shareholders, 1995 promises to bring a little extra. Commerzbank and Deutsche Bank celebrate their 125th anniversaries next year. Although both are being coy about whether a bonus payment will be added to the dividend, this is regarded as almost certain.

But Dresdner's shareholders will have to be patient. Their anniversary pay-out is not due until 1997.

Burlington increases offer for Santa Fe

By Tony Jackson in New York

The stakes in the contested bid for the Santa Fe Pacific railway company have been raised with an increased offer from Burlington Northern valuing Santa Fe at $3.8bn in cash and shares.

The bid is a sharp increase on the offer from rival railway company Union Pacific of about $3.2bn in cash and shares.

The merger aims to create the biggest railway group in the US.

Burlington and Santa Fe said they would both make cash tenders for Santa Fe stock, amounting to about one-third of the equity, at $20 a share.

Thereafter Burlington would offer a stock swap for the remainder of Santa Fe's equity.

While the cash element of the transaction would take place next month, the stock swap would not take place until government approval of the merger.

The offer from Union Pacific, although lower, has the advantage of having been provisionally cleared by the authorities. Its offer is allowed to proceed immediately, with Santa Fe's shares being placed in an independent trust pending official clearance.

Santa Fe also said its agreed deal with Burlington involved a poison pill payment to Burlington of up to $60m if the agreement fell through. Santa Fe said it would repay $400m of its outstanding debt.

US group buys Kraft Foodservice

By Richard Tomkins in New York

Clayton, Dubilier & Rice, the US leveraged buy-out specialist, has agreed to buy Kraft Foodservice, the second-biggest food service company in the US, from Philip Morris, the US food and tobacco group.

The price was not disclosed, but is believed to be about $700m.

Kraft Foodservice is part of Kraft General Foods, Philip Morris's food company. It distributes industrial-size packages of foods to restaurants, hospitals, public institutions and other non-retail outlets, and has annual revenues of about $4bn.

The company distributes more than 160,000 products from several different suppliers, including Kraft General Foods. As part of the deal with Philip Morris, Kraft Foodservice will remain the exclusive distributor of Kraft-branded food service products to most customers for five years.

Clayton, Dubilier & Rice, a private investment firm which manages a pool of equity capital in excess of $1bn, specialises in acquiring divisions of big corporations and working with their managements to improve returns. In the past year it has bought Wesco Distribution from Westinghouse Electric, Remington Arms from Du Pont, and Allison Engine from General Motors.

One way in which Clayton, Dubilier & Rice seeks to increase the profitability of an acquisition is by asking managers to a take a stake in the business so that they have a bigger incentive to improve its performance. Kraft Foodservice's management is believed to be participating in the Kraft transaction.

Under Philip Morris, Kraft Foodservice had been closely associated with Mr Michael Miles, the former chairman and chief executive who resigned earlier this year. He built up Kraft Foodservice by buying a series of regional food service companies in the US, eventually turning it into the biggest food service company in the US after Sysco.

Some analysts, however, considered the company a candidate for divestiture because it was in a low-margin business that did not fit well with Philip Morris's main function of marketing famous-name products to consumers. Soon after Mr Miles's departure, Philip Morris put Kraft Foodservice on the market.

Mr Geoffrey Bible, Philip Morris's new chief executive, is under pressure to improve the company's performance because its share price has been battered by investor fears about the possible consequences of anti-tobacco litigation.

Beneficial takes $38m charge on German unit

By Lisa Bransten in New York

Beneficial, the US financial services company, is to take a $38m charge to cover potential losses at its German subsidiary, BFK Bank, as part of the process of preparing the unit for sale.

BFK faces losses on a block of loans made to German consumers to finance the purchase of camp sites. The German government is investigating charges that the relationship between the consumers and the seller, the German financial group Fundus Grundstuecks, was not as represented to BFK, according to Beneficial.

Mr Finn Caspersen, Beneficial's chief executive, said he expected the charge to cover any losses related to the campground loans.

"Our intention is to clear the deck and clarify BFK's financial situation for potential sale," he said. "While this charge is a shame in that it ruins our consolidated results for the fourth quarter, the essential fact remains that our basic business in the US, Canada and the UK remains vibrant."

He cited BFK's "failure to achieve profitability up to the corporate standard" as the main reason for the sale.

The German subsidiary, which provides consumer loans, currently has DM798m ($508.3m) in accounts receivable.

Beneficial is pulling out of Germany just as another US company, GE Capital, enters it. The financial services subsidiary of General Electric last week took control of Service Bank, the finance arm of Kaufhof store group.

Xerox agrees to sell reinsurance subsidiary

By Richard Waters in New York

Xerox, the US document processing company, has agreed to sell a reinsurance subsidiary for $400m, the largest disposal to date in the planned break-up of its financial services businesses.

The company, Constitution Re, has been bought by Exor, a Luxembourg-listed investment holding company controlled by the Italian Agnelli family.

Xerox early last year announced plans to sell off its financial services businesses, with the exception of the financing operations which support sales of its office equipment products.

The move echoes steps taken by several other big US non-financial companies to leave the financial services business, which they had once seen as a fast-growth industry in which to invest surplus profits.

Since announcing its plans, Xerox has sold Van Kampen Merritt, a fund management firm, for $360m and Furman Selz, an investment bank, for $90m.

Constitution Re is the eighth-largest US-based reinsurer, with net premiums last year of $454m, according to Xerox.

It writes reinsurance for a number of small US property and casualty insurers, and takes on little catastrophe risk, according to Talegen, Xerox's property and casualty insurance subsidiary.

The disposal, which is for cash, will leave Xerox a life insurance company and six specialist property/casualty insurance businesses, which together had premiums last year of $2.4bn.

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DM 300,000,000
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A WWF project has resulted in over a hundred fish ponds being built in the Irian Jaya rainforest in eastern Indonesia. The fish ponds provide a much needed, reliable source of income and food for the local community. They also produce an invaluable by-product, a reason for the villagers to take care of the local rain forest. The ponds require a supply of clean, fresh water. This is only available throughout the year if water-retaining roots of the neighbouring trees are kept intact. Which gave WWF good reason to provide plans and concrete for the ponds, and fish to stock them with. And because we believe it is more important to motivate by physical example than by just giving advice, WWF agricultural extension workers helped to construct concrete tanks and dig fish ponds. Now an entire community benefits, and the entire community runs the fish pond programme without outside help. If you would like to help us set up practical projects to save the rainforests, write to the Membership Officer at the address below.

WWF
World Wide Fund For Nature
(formerly World Wildlife Fund)
International Secretariat, 1196 Gland, Switzerland.

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Mezzanine Capital & Income Trust 2001 PLC
(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 2067056)
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Placing and Open Offer
of up to
70,000,000 'S' capital shares of 25p each at 35p per share payable in full on application
and
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MCIT is a split capital investment trust which invests in the mezzanine securities and equities of LBOs in the United States.

Availability of Listing Particulars
Copies of the Listing Particulars are available for collection from the Company Announcements Office, the London Stock Exchange, Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2, for two business days following the date of publication of this advertisement and, until 2nd January, 1995, from the registered office of the Company and from the following:

Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA
S.G. Warburg Securities Ltd, 1 Finsbury Avenue, London EC2M 2PA
Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA
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Hambros Bank Limited and S.G. Warburg Securities Ltd. are members of the Securities and Futures Authority Limited and the London Stock Exchange — 20th December, 1994

iib
Italian International Bank Plc
US$ 45,000,000
Subordinated Floating Rate Notes due 1996

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from December 20, 1994 to June 20, 1995 the Notes will carry an Interest Rate of 7.0625% per annum and the Coupon Amount per US$ 10,000 principal amount of Note will be US$ 357.05.

The Agent Bank
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The Coupon Amount payable on the Relevant Interest Payment Date, June 20, 1995 will be US$ 1,777.34 per Receipt relating to a Deposit of US$ 50,000 and US$ 8,886.72 per Receipt relating to a Deposit of US$ 250,000.

The Agent Bank
Kredietbank Luxembourg

Polysindo International Finance B.V.
U.S. $25,000,000
Guaranteed Floating Rate Notes due 1997

For the Interest Period 16th December, 1994 to 16th March, 1995, the Notes will carry an Interest Rate of 9.1875 per cent. per annum, with an Interest Amount of U.S. $229.69 per U.S. $10,000 denomination, payable on 16th March, 1995.

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CREDIT LYONNAIS
USD 500.000.000 FRN
Undated

Bondholders are hereby informed that the rate for the coupon N° 14 has been fixed at 7,375%, for the period starting on 19/12/94 until 19/03/95, inclusive, (representing a period of 91 days). The coupon will be payable on 20/03/95 at a price of USD 186,42

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Banco Central de Venezuela
U.S. $281,877,500
Floating Rate Bonds due 2005
USD New Money Series B-NP
Banco Central de Venezuela
U.S. $274,218,500
Floating Rate Bonds due 2005
USD New Money Series B-P

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from December 20, 1994 to June 20, 1995 the Bonds will carry an Interest Rate of 7.6875% per annum. The interest payable on the relevant interest payment date, June 20, 1995 will be U.S. $38.86 per U.S. $1,000 principal amount.

By: The Chase Manhattan Bank, N.A.
Agent Bank
December 20, 1994
CHASE

The Republic of Venezuela
U.S. $395,931,500
Floating Rate Bonds due 2005
USD New Money Series A

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from December 20, 1994 to June 20, 1995 the Bonds will carry an Interest Rate of 7.8125% per annum. The interest payable on the relevant interest payment date, June 20, 1995 will be U.S. $39.50 per U.S. $1,000 principal amount.

By: The Chase Manhattan Bank, N.A.
Agent Bank
December 20, 1994
CHASE

The Republic of Venezuela
U.S. $5,153,850,000
Floating Rate Bonds due 2007
USD Debt Conversion Series DL

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from December 20, 1994 to June 20, 1995 the Bonds will carry an Interest Rate of 7.6875% per annum. The interest payable on the relevant interest payment date, June 20, 1995 will be U.S. $38.86 per U.S. $1,000 principal amount.

By: The Chase Manhattan Bank, N.A.
Agent Bank
December 20, 1994
CHASE

Mass Transit Railway Corporation
(A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)
HK$3,000,000,000
(or an equivalent amount in U.S. dollars)
Medium Term Note Programme
HK$40,000,000 Floating Rate Notes due 1995

Notice is hereby given that the HIBOR applicable to the subject notes for the period from December 15, 1994 to March 15, 1995 is 6.3125 p.a.. The inclusive rate is 6.5625 p.a.. Coupon amount payable March 15, 1995 per HK$500,000 note is HK$8,090.75.

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COMPANY NOTICES

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US $ 10,000,000 UNDATED PRIMARY CAPITAL FLOATING RATE NOTES.
The interest rate applicable to the above Notes in respect of the interest period commencing 20th December 1994 has been fixed at 7⅛% per annum. The interest amounting to US $38.97 per US $1,000 principal amount and to US$389.69 per US$10,000 principal amount of the Notes will be paid on 20th June 1995 against presentation of Coupon No. 18.
BANK LEUMI (UK) Plc
Principal Paying Agent
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£135,000,000
THE LEEDS
Leeds Permanent Building Society
Floating Rate Notes Due 1998

Interest Rate	6½% per annum
Interest Period	16th December 1994 16th March 1995
Interest Amount due 16th March 1995 per £10,000 Note	£160.27

CS First Boston
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YEN 30,000,000,000
FLOATING RATE NOTES
DUE JUNE 1995
Notice is hereby given that for the interest period from 20th December 1994 to 20th June 1995, the rate of interest will be 4.4% per annum. The interest payable on the 20th June 1995 will be Yen 219,397 per each Yen 10,000,000. Note.
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Subordinated Floating/Variable Rate Notes due 2002

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Interest Period	December 19, 1994 March 20, 1995
Interest Amount due on March 20, 1995 per Yen 100,000,000	Yen 676,181

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Moore reduces stake in business-forms partnership

By Bernard Simon in Toronto

Canada's Moore Corporation has taken a big step towards shifting its emphasis from paper forms to more sophisticated information-handling systems by selling the bulk of its stake in Toppan Moore, Japan's biggest business-forms supplier.

Moore will receive Y34.4bn ($343m) from the sale of 35 per cent of Toppan Moore to its Japanese partner, Toppan Printing. The deal, which will be completed early next year, will raise Toppan's stake in the joint venture to 90 per cent, leaving Moore with 10 per cent.

Toppan Moore has contributed an average of 10 cents a share over the past three years to Moore's annual earnings, which totalled US$82.2m, or 83 cents a share, in the first nine months of 1994.

Moore had planned to reduce its stake in Toppan Moore through a public share offering in Japan, but that was expected to take up to two years. "We have got the same deal, dealing directly with Toppan," Ms Shoba Khetrapal, Moore treasurer, said yesterday.

Moore, which claims to be the world's largest supplier of business forms, is undergoing a shake-up spearheaded by Mr Reto Braun, who took over as chief executive in late 1993. The Toronto-based company unveiled a new business plan earlier this year to keep abreast of the shift from paper to electronic information sources.

It aims to concentrate on three businesses: forms and form-management systems; labelling systems, including bar-codes; and customer communications, such as direct mail.

The proceeds of the Toppan Moore sale will be used for acquisitions in these fields, including further investments in Japan and other Asian countries. Moore recently bought a 60 per cent stake in a new information-handling systems joint venture in China. Its partner is Shanghai Jielong Industry Corporation.

As part of its new strategy, Moore has also bought a 20 per cent stake in JetForm, an Ottawa-based specialist in electronic forms technology, and has formed an alliance with Datamax of Orlando, Florida, to develop a thermal bar-code printer for linerless labels.

Mr Braun aims to expand revenues by 10 per cent a year for the next five years, with more than half the growth coming from alliances and acquisitions. Moore's sales totalled almost $1.8bn in the period January-September 1994.

Toyota raises first-half forecast

By Emiko Terazono in Tokyo

Toyota Motor, the leading Japanese carmaker, has revised upwards its profit forecasts for the first half to December in spite of the yen's appreciation.

Mr Tatsuro Toyoda, president, said aggressive cost cutting would lift unconsolidated operating and recurring profits, before extraordinary items and tax, to 10 per cent above the original interim forecast.

Non-consolidated recurring profits for the interim period are now expected to rise 74.3 per cent from the previous year to Y145bn ($1.44bn) while operating profits are estimated to increase nine-fold to Y85bn.

The company has reduced the variation in car models by 20 per cent and the number of parts by 30 per cent.

The cost-cutting helped cover the Y30bn foreign exchange loss which had arisen as a result of the company basing its initial forecasts on a yen/dollar rate of Y103, against the actual Y98 through the July-December period.

Mr Toyoda was confident about the company's domestic sales and overseas manufacturing. He forecast that domestic sales in the year to next December would climb 10 per cent from a year earlier to 2.24m vehicles, after falling 1 per cent this year to 2.04m.

Overseas production, which rose 19 per cent to 1.05m units this year, is expected to increase by 18 per cent to 1.25m in 1995.

However, domestic production and exports from Japan are expected to continue to be weak. Domestic production, which fell 1 per cent to 3.51m vehicles this year, is projected to decline 3 per cent to 3.42m next year while exports, which fell by 2 per cent to 1.51m this year, are forecast to tumble 17 per cent to 1.25m next year.

● Honda Motor of Japan yesterday signed an agreement with Turkey's Anadolu Endustri Holding to set up a joint venture to manufacture and market motorcycles in Turkey.

The Japanese company said the two companies would modify an existing plant owned by Anadolu to start producing 125cc motorcycles in mid-1996 at an initial rate of 6,000 units a year.

Ben & Jerry shares fall after loss warning

By Richard Tomkins in New York

Ben & Jerry's Homemade, the US ice-cream company famous for its oddball approach to business, yesterday surprised the stock market by warning that it expected to turn in a net loss of between $700,000 and $900,000 in the quarter to December because of a downturn in sales.

The company said it had maintained its 42 per cent share of the super premium ice-cream market, but the sector as a whole had shrunk because of exceptionally heavy promotional activity by companies in the premium sector. As a result, the company's sales were down by 5 per cent.

Ben & Jerry's shares, which traded at nearly $34 at the height of the company's growth in 1992, plunged $1¾ to $10 after the announcement.

Ben & Jerry, which donates 7.5 per cent of its pre-tax profits to charity, has grown rapidly since its inception in 1978: it made net profits of $7.2m on sales of $140.3m last year. But it has recently been struggling to maintain its momentum.

Earlier this year Mr Ben Cohen, one of the founders, announced that he was stepping aside as chief executive and invited applicants to send in essays explaining in 100 words: "Why I would be a great CEO for Ben & Jerry's". The job has not yet been filled.

Yesterday Mr Chuck Lacy, chief operating officer, said the super premium category had been sluggish this year because of "unprecedented" promotional activity in the premium sector.

In last year's fourth quarter Ben & Jerry's made net profits of $1.1m.

Dealers switch focus to euroyen

By Graham Bowley

Activity in the eurobond market yesterday was quiet in the run-up to Christmas, with only a small number of deals in Europe and a $100m floating-rate note signed in Asia by the Bank of Seoul.

INTERNATIONAL BONDS

Attention is now turning to the new year, when dealers expect the euroyen market to provide most excitement. "The bid for yen is still strong," said one syndicate manager.

He said that the two-tranche Y120bn six and 10-year offering launched last week by the Republic of Austria had been extremely well-received by investors. He expected "that sort of demand to continue both on an institutional basis and on a retail basis".

"There are a lot of borrowers looking at the yen market – such as Spain and the EIB [European Investment Bank]," said another syndicate official. "The swap levels there are attractive, particularly when other markets are less receptive," he said.

The prospect of increased yen-issuance was boosted by comments made by a Japanese Ministry of Finance official that Japan is considering either easing or abolishing the "lock-up" period for euroyen bonds issued by non-sovereign foreign borrowers.

This move would help the distribution of eurobonds to investors in Japan. However, the official told Reuters that no specific timetable had been set.

Restrictions on the purchase of euroyen bonds issued by sovereign borrowers were abolished in January this year.

Dealers also expect to see greater activity in the eurodollar sector early next year, particularly in the five-year area of the yield curve. "We are seeing consistent interest in the dollar sector, and recently there has been a lot of switching out of three-year and into five-year bonds," said one trader.

Depfa, Germany's largest mortgage bank, increased its DM750m five-year offering launched last month to DM1bn, due to "exceptional demand from European retail and institutional investors," joint lead manager Commerzbank said.

Colombia's state Institute for Industrial Development is to issue a $100m eurobond in February 1995, via Citibank, a finance ministry official told Reuters. The proceeds from the offering would be used to make long-term loans to industrial companies, he said.

Traders await FOMC meeting

By Lisa Bransten in New York and Martin Brice in London

US Treasury prices were mostly flat in quiet trading yesterday morning ahead of today's meeting of the Federal Reserve's policy-making committee.

At midday, the benchmark 30-year government bond was up ⅛ at 96⅜ yielding 7.837 per cent. At the short end of the market, the two-year was unchanged at 99$\frac{31}{32}$, yielding 7.563 per cent.

There was some short-covering as traders prepared for the Fed's open market committee meeting. For weeks the market has been up and down on speculation about whether the Fed would raise rates.

In November the Fed finally convinced investors that it would hold the line against inflation, which caused the yield spread between the two-year and the 30-year bond to fall sharply as traders bet that the Fed might raise rates in December. A flattening yield curve is interpreted as a signal that the market expects economic slowing.

Over the past two weeks, many have reversed their bets about a December rate increase – and the yield spread widened modestly – as mild inflation numbers convinced many that the central bank might wait for the new year to put rates up again.

GOVERNMENT BONDS

Politics has also become a concern for the market recently, as Democrats and Republicans try win the hearts of voters with tax-cutting plans.

■ UK government bonds rose slightly, and the December long gilt future moved up $\frac{1}{32}$ to around 102¾ in late trading. The yield spread over German government bonds was around 115 in late trading.

Mr Andrew Roberts at UBS said trade was very thin, with investors unlikely to place large orders before the new year. He said flows were likely to remain very thin ahead of Christmas; however, support from domestic investors was underpinning gilt prices.

■ German government bonds slipped, and the March bund futures contract on Liffe fell by around 0.21 on the day to 89.70 in late trading. An analyst at Deutsche Bank in Frankfurt said trading was likely to remain very slow in the run-up to Christmas, but there was substantial support for bunds at the 89.70 level.

■ Italian government bonds fell, and the March bond futures contract on Liffe moved to around 98.14 in late trading, a fall of 0.47. Mr Pio de Gregorio at NatWest Markets said investors were worried about political events, but these worries were obscuring the positive fundamentals.

He said: "Inflation is trending down, but the worries of the political developments and the public finances are very much the focus of investors' attention. The lira looks extremely undervalued. It has an enormous risk premium because of the political uncertainty."

Fisons and RPR abandon US venture

By Daniel Green

Rhône-Poulenc Rorer (RPR), the drugs arm of French chemicals company Rhône-Poulenc, and Fisons of the UK, have abandoned a pharmaceuticals joint venture in the US.

Fisons' most important drug, asthma treatment Tilade, and RPR's Azmacort will now no longer be sold by each others' sales teams.

Fisons said yesterday the change followed the transformation in the US healthcare market, where individual doctors are being replaced as drug buyers by health management organisations.

This required smaller, more specialised sales teams, said Fisons. The company last summer cut its US sales force by almost 10 per cent.

Fisons is undergoing a detailed strategic review which may lead to a radical reorganisation in the next few months.

RPR and Fisons still have a joint marketing agreement in Europe.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.500	09/04	92.5600	+0.120	10.22	10.20	10.69
Belgium		7.750	10/04	95.8300	-0.370	8.38	8.29	8.40
Canada *		9.000	12/04	99.4000	-0.250	9.09	9.18	9.15
Denmark		7.000	12/04	88.4200	-0.080	8.79	8.67	8.82
France	BTAN	8.000	05/98	100.8200	-0.180	7.69	7.27	7.47
	OAT	7.500	04/05	95.4400	-0.580	8.16	8.03	8.19
Germany Bund		7.500	11/04	100.1800	+0.300	7.47	7.45	7.58
Italy		8.500	08/04	80.3500	-0.390	12.00†	11.92	11.66
Japan	No 119	4.800	06/99	103.6400	-	3.91	3.85	4.06
	No 164	4.100	12/03	96.6940	-0.120	4.62	4.58	4.74
Netherlands		7.250	10/04	97.2800	-0.080	7.65	7.61	7.61
Spain		10.000	02/05	90.4500	+0.050	11.33	11.33	11.22
UK Gilts		6.000	08/99	90-21	+2/32	8.47	8.47	8.36
		6.750	11/04	88-17	+3/32	8.48	8.51	8.54
		9.000	10/08	104-09	+4/32	8.47	8.50	8.54
US Treasury *		7.875	11/04	100-14	-1/32	7.81	7.86	8.02
		7.500	11/24	96-02	+5/32	7.84	7.92	8.14
ECU (French Govt)		6.000	04/04	83.9700	-0.310	8.55	8.44	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime | Treasury Bills and Bond Yields

Prime rate	8½	One month	5.48	Two year	7.58
Broker loan rate	6½	Two month	5.82	Three year	7.70
Fed.funds	5⅞	Three month	5.70	Five year	7.78
Fed.funds at intervention	-	Six month	6.53	10-year	7.80
		One year	7.12	30-year	7.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.14	112.08	-0.02	112.14	112.02	14,399	20,383
Mar	111.38	110.96	-0.40	111.38	110.88	69,055	133,372
Jun	110.64	110.24	-0.40	110.64	110.64	2	2,955

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	-	-	-	-	-
111	0.44	-	-	-	-	-
112	0.10	-	-	-	-	-
113	0.03	-	-	-	-	-
114	0.01	-	-	-	-	-

Est. vol. total, Calls 7,132 Puts 7,971. Previous day's open int., Calls 186,654 Puts 149,299.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.95	89.70	-0.21	90.08	89.58	39936	172613
Jun	-	89.10	-0.21	-	-	0	765

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
8950	0.32	0.79	0.99	1.18	0.12	0.59	0.79	1.58
9000	0.08	0.54	0.74	0.96	0.38	0.84	1.04	1.86
9050	0.03	0.35	0.53	0.78	0.83	1.15	1.33	2.18

Est. vol. total, Calls 8308 Puts 4418. Previous day's open int., Calls 169465 Puts 123618

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.12	98.00	-0.41	99.19	98.75	13393	46727
Jun	-	98.30	-0.41	-	-	0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9900	1.77	2.19	1.77	2.89
9950	1.52	1.98	2.02	3.18
10000	1.23	1.78	2.23	3.48

Est. vol. total, Calls 1140 Puts 1087. Previous day's open int., Calls 14983 Puts 13224

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.63	86.37	-0.24	86.65	86.32	21,272	14,419
Mar	86.05	85.77	-0.19	86.10	85.76	16,875	37,567

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102-28	102-31	+0-04	103-00	102-27	417	17518
Mar	102-07	102-10	+0-06	102-15	102-00	12093	104469

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
102	1-36	2-08	1-18	2-60
103	1-05	1-44	1-49	3-24
104	0-45	1-21	2-25	4-01

Est. vol. total, Calls 2001 Puts 725. Previous day's open int., Calls 22232 Puts 28972

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	81.44	81.36	-0.06	81.46	81.36	799	1,216

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	100-00	100-01	-4	100-01	99-30	8,610	33,110
Mar	99-14	99-15	+0-01	99-16	99-11	233,571	354,334
Jun	98-31	99-01	-	99-01	98-30	614	13,174

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.25	-	-	108.30	108.24	1407	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Dec 19	Day's change %	Fri Dec 16	Accrued interest	xd adj. ytd		Low coupon yield Dec 19	Dec 16	Yr. ago	Medium coupon yield Dec 19	Dec 16	Yr. ago	High coupon yield Dec 19	Dec 16	Yr. ago
1 Up to 5 years (24)	119.34	+0.05	119.66	1.52	11.74	5 yrs	8.49	8.51	6.60	8.48	8.50	6.82	8.66	8.69	5.90
2 5-15 years (22)	140.50	+0.15	140.27	1.78	12.57	15 yrs	8.35	8.36	6.30	8.49	8.51	6.46	8.71	8.72	6.67
3 Over 15 years (9)	155.36	+0.17	155.05	2.64	12.05	20 yrs	8.32	8.33	6.46	8.49	8.51	6.61	8.64	8.64	6.69
4 Irredeemables (6)	179.71	-0.26	180.18	1.75	13.71	Irred.†	8.40	8.38	6.60						
5 All stocks (60)	137.46	+0.12	137.41	1.84	12.13										

Index-linked							Inflation 5% Dec 19	Dec 16	Yr. ago	Inflation 10% Dec 19	Dec 16	Yr. ago
6 Up to 5 years (2)	186.95	+0.01	186.94	1.09	5.87	Up to 5 yrs	3.99	3.98	1.94	2.68	2.67	1.05
7 Over 5 years (11)	174.03	+0.17	173.73	0.93	4.96	Over 5 yrs	3.65	3.66	2.98	3.65	3.66	2.76
8 All stocks (13)	174.48	+0.15	174.22	0.94	4.97							

Debentures and Loans						5 year yield Dec 19	Dec 16	Yr. ago	15 year yield Dec 19	Dec 16	Yr. ago	25 year yield Dec 19	Dec 16	Yr. ago
9 Debs & Loans (77)	129.83	+0.20	129.59	2.05	11.22	9.45	9.46	7.20	9.41	9.42	7.52	9.36	9.37	7.65

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 19	Dec 16	Dec 15	Dec 14	Dec 13	Yr ago	High*	Low*
Govt. Secs. (UK)	91.90	91.97	91.94	91.85	91.49	107.16	107.04	89.54
Fixed Interest	109.72	109.72	109.60	109.52	109.49	131.15	233.87	108.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12
Gilt Edged bargains	101.1	101.6	114.1	100.6	106.1
5-day average	82.9	102.6	101.4	102.7	101.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88¼	88½		8.50
Alberta Province 7⅞ 98	1000	98⅜	98⅝		8.12
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7⅞ 97	5500	100½	100⅝	-⅛	8.01
Volkswagen Intl Fin 7 03	1000	94⅛	94⅝	+⅛	7.93
World Bank 0 15	2000	20⅝	21⅛		7.81
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	92⅝	92⅞		9.30
Alliance Leics 11⅛ 97 £	100	105½	105¾	-⅛	8.73
British Land 8⅞ 23 £	150	90	90½	-⅛	10.19
[illegible]					

STRAIGHT BONDS · FLOATING RATE NOTES · CONVERTIBLE BONDS: [illegible]

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UK GILTS PRICES

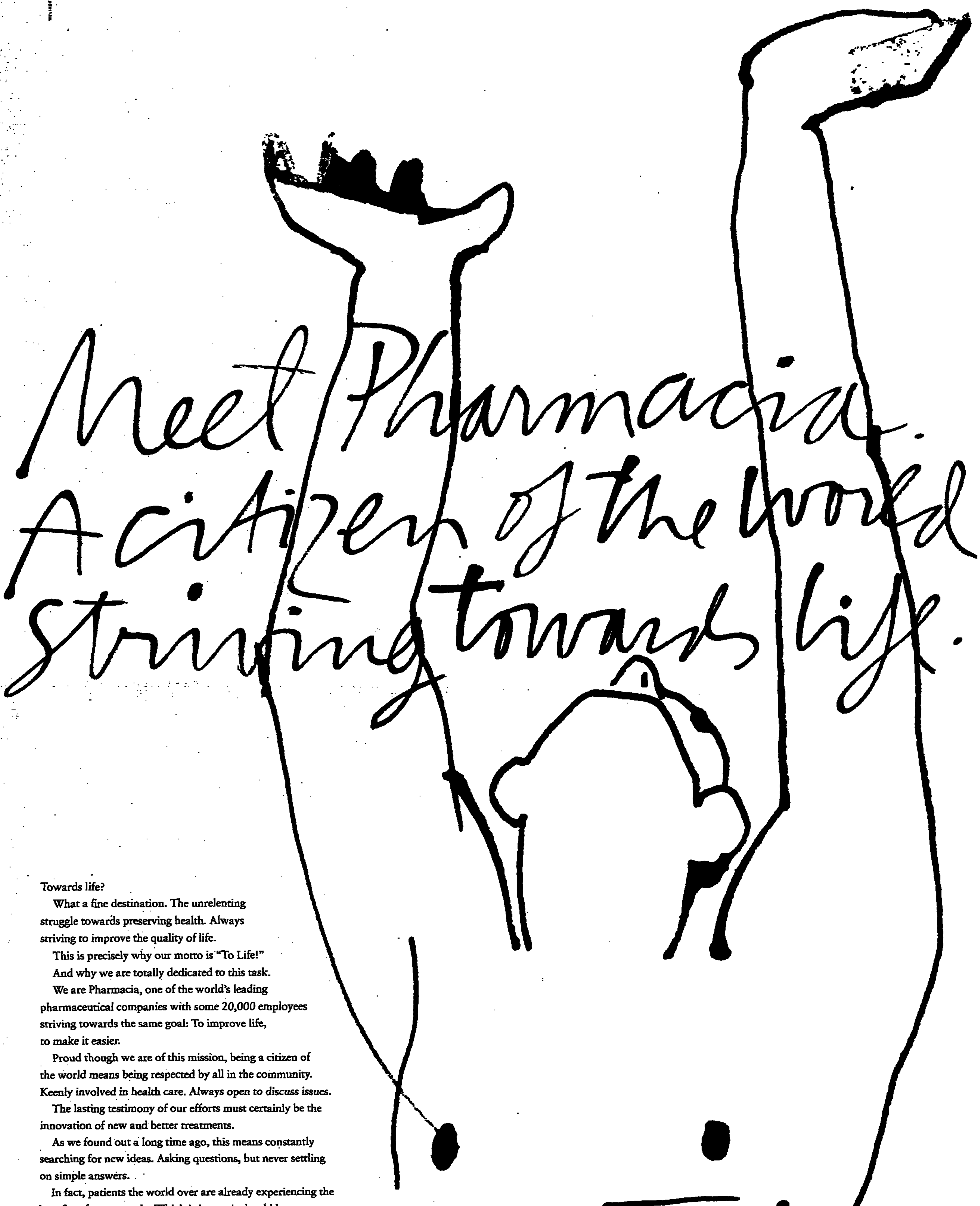
[illegible]

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

us to euroyen

meeting

Fisons and RPR ... US venture



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To life

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Pharmacia

Banks agree three day extension for Stanhope

By Simon London, Property Correspondent

Stanhope yesterday won a three-day breathing space as banks agreed to extend the property developer's borrowing facilities until Thursday.

The company's £140m loans were due for repayment at 3.30pm yesterday. All 16 banks in its lending syndicate agreed to an extension early in the afternoon and a terse Stock Exchange announcement was issued just minutes before the deadline.

Stanhope, headed by Mr Stuart Lipton, will use the breathing space to answer detailed questions from the banks relating to refinancing proposals received last week.

If it can satisfy the banks, led by Barclays and advised by Barclays de Zoete Wedd, a three month extension of the borrowing facility could follow. This would give Stanhope sufficient time to put one of the rescue packages into practice.

However, sources close to the negotiations said that some banks still needed to be finally convinced that refinancing would be a better option than receivership.

The main refinancing plans come from British Land, the property investment company headed by Mr John Ritblat, and Postel, the post office and telecommunications pension fund. The Postel plan envisages a rights issue of up to £250m, underwritten by the pension fund and other institutional investors.

Stanhope could then partially repay its banks and buy the 50 per cent it does not already own of Broadgate Properties, which owns much of the Broadgate and Ludgate office developments in the City of London. The other half of Broadgate Properties is owned by Rosehaugh, Stanhope's former development partner which went into receivership in 1991.

British Land has offered the banks a cash-and-paper deal for Stanhope's existing half share in Broadgate Properties.

While both proposals were revised late last week to offer better terms to Stanhope's lenders, the banks would have to write off up to 20p in the pound on their loans.

Stanhope has also asked the banks to consider a debt standstill of up to three years, at the end of which they would receive full repayment.

The company believes it has found an investor willing to provide working capital during a standstill period in return for an equity stake.

Berisford statement on US acquisition expected soon

By Peggy Hollinger

Berisford International is expected imminently to make an announcement regarding its $500m (£305m) takeover talks with Welbilt, the US kitchen equipment group. The talks are thought to be stalled on price.

Berisford, which yesterday requested a suspension of its shares at 228p after news of the deal was leaked in London at the weekend, is believed to have set a deadline for the negotiations.

Welbilt, which manufactures commercial kitchen equipment for fast food chains such as McDonald's and Burger King, yesterday sought to emphasise the uncertainty of the negotiations.

It issued a statement saying there could be "no assurance that an agreement will be reached with respect to any such transaction, or that any such transaction will be consummated".

There was also speculation in the US that Welbilt had been in discussions with other parties about a possible takeover. Berisford yesterday denied any knowledge of potential rivals.

US analysts suggested that a price of $35 a share, or roughly $500m, would be enough to tempt Mr Jerome Kohlberg, Welbilt's 47 per cent shareholder. "At that price I do not think they would want to lose their bidder," said one.

However, there were some reservations over the possibility that a bid would have to rely on a rights issue.

In the UK, however, investors have long known about the ambitions of Mr Alan Bowkett, chief executive, to build a global business in the services or manufacturing sectors.

He arrived almost three years ago, after a series of asset disposals rescued the former property and commodities group from the brink of collapse. At the time, he said he intended to build Berisford with finance raised from property sales or rights issues.

An attempt last year to take over C&J Clark, the shoe company, was unsuccessful.

Earlier this year, however, Berisford bought Magnet, the kitchen and joinery manufacturer and retailer, for £56m.

The Trafalgar House bid for Northern Electric: local reaction and funding details

Bidder opts for derivatives contract

By David Wighton

Trafalgar House is planning to offset a large part of the expenses related to the offer for Northern Electric by entering into a derivatives contract with Swiss Bank, its financial adviser.

In return for an undisclosed fee, Trafalgar will benefit from any rise in the share price of Northern Electric and several other regional electricity companies over and above reference prices set when the contracts were struck a month ago.

Trafalgar expects to close out the contracts during the offer period.

It is thought to be the first bidder to use such "contracts for differences" which should reduce its costs whether the offer succeeds or fails.

Trafalgar opted for this mechanism rather than buy shares in the target in the market, the traditional method used by bidders to cover their costs.

Rival merchant bankers said it was a clever scheme which was likely to be copied. "Buying shares before or at the start of a bid has become more difficult because institutions are increasingly loath to sell. And while picking up 2 or 3 per cent hardly makes much impact on the outcome it can still leave you with a hefty loss if the bid fails," said one investment banker.

The advisory side of Swiss Bank does not know how its derivatives arm has covered its position, if at all.

If it has bought Northern Electric shares, under the Takeover Code it will not be able to assent them to the offer until it goes unconditional.

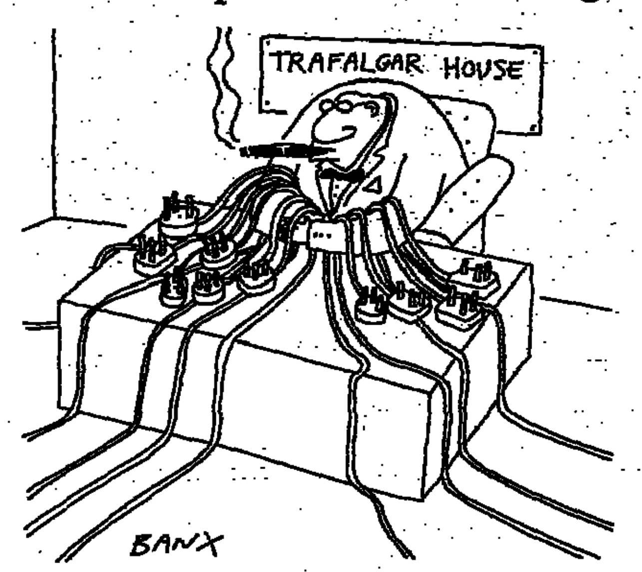
Bridging the credibility gap

Chris Tighe considers the implications for the regional economy

This morning, the chairman and chief executive of Trafalgar House, the engineering and property conglomerate bidding for Northern Electric, will pose for photographs beside the Tyne Bridge.

In choosing this backdrop, the most evocative and immediately recognisable symbol of Tyneside, Trafalgar is acknowledging the importance of regional identity in its fight to buy the north-east of England's regional electricity company.

Trafalgar's choice of photo location is a bold attempt to emphasise its local links. In 1982 it took over Dorman Long, builder of the Tyne Bridge, and it now owns 14 companies in the region. These include Cleveland Structural Engineering, successor to the company which built two of the Tyne's other big bridges.



Local control is an important issue in a region pre-occupied by the problems of high unemployment, being geographically peripheral, the paucity of locally-based quoted companies and the need to maintain quality jobs for its university graduates.

"This isn't about Trafalgar House, it's about the loss of control of a regional company," said Mr Doug Henderson, Labour MP for Newcastle North. He wrote yesterday to the Office of Fair Trading, urging an investigation.

Mr Henderson is worried that the bid could trigger rapid concentration of rec ownership, reducing competitiveness and technological edge. It could also cost the region much needed jobs, especially if the rec's headquarters lost decision-making autonomy.

North-east England has only 24 plcs with local headquarters, of which Northern Electric is the largest. Despite some new listings this year, this figure has remained fairly static. "It's sad that as soon as we tend to get them, a lot get taken over," said analyst Mr John Dickinson, a director of stockbrokers Wise Speke, based round the corner from Northern's Newcastle headquarters.

Yesterday, Mr Arthur Foord, the Confederation of British Industry's northern region director, while stressing that he was not criticising Trafalgar, expressed concern at the loss of headquarters from the region.

"It's important that management expertise at the senior level is held within the region because that influences investment in plants."

Newcastle-based Mr Mike Darrington, managing director of Greggs plc, Britain's biggest bakery chain, shares Mr Foord's apprehensions. "I don't like seeing businesses based in the north disappearing. I don't think it's good for the north, the power is moving away."

Mr Darrington, whose company spends £4m a year on electricity from a number of recs, including Northern, added: "As a customer I can't see any advantage to our business." He is concerned about investment plans under Trafalgar and the possible loss of competition between recs.

Emerging into the December chill from the showroom attached to Northern Electric's headquarters – a showroom adorned with "Buy now, pay 1995" posters – fireman Mr Ken Gurling voiced similar concerns. "Trafalgar House have their fingers in so many pies. "Electric companies should be electric companies."

Mr Gurling and others questioned outside the showroom were unimpressed with Trafalgar's offer of £20 off their first electricity bill after the takeover. Loyalty to Northern was coupled with some opposition to the privatisation of the electricity industry.

Some feared further job losses. "I've had dealings with Trafalgar House; they're commercial, profit orientated. There would be job cuts," said interior designer Mr Richard Rycroft. The £20 was, he said, a "sweetener".

Labour's chief whip, Mr Derek Foster, was blunter still, calling it the "bribe of the century" offered in an attempt to "hijack" one of the north's leading companies. Sale of the National Grid shares, added Mr Foster, could bring £325m into Northern's coffers.

Unions representing Northern's 4,000 employees are committed to fighting the bid. "The board is saying they also wish to retain independence, but our concern is that money talks," said Mr Dave Harrison, chairman of the joint unions.

Although the unions have been critical of Northern's plans, still under negotiation, to shed 800 jobs, they would prefer, he said, to see the company retain its independence. "It's a case of better the devil you know."

Charge of financial engineering?

Trafalgar could offset its tax losses, writes Michael Smith

Mr David Morris, chairman of Northern Electric, has been involved in one hostile takeover bid before and, in that contest in the electrical engineering sector, he was with Delta when it bid unsuccessfully for Scholes in 1987.

"We are not going to lose this one," he said as he launched an attempt to keep his company independent from Trafalgar House. His opponents are equally determined.

Yesterday's £1.2bn offer may be insufficient to win Trafalgar its quarry but analysts believe that the benefits of a takeover for it are such that it may be willing to offer more if pushed.

The bid will be watched closely throughout the electricity sector. The possibilities of a white knight emerging from within the sector are being played down in the City.

Other putative intra-sector alliances, however, together with potential hostile bids from outside, will be given impetus by the bid, particularly if it is successful. What then are Trafalgar's chances?

It was still hopeful of a friendly merger, and was trying hard yesterday not to be hostile to Northern's management but a flavour of criticism inevitably crept through.

Mr Nigel Rich, chief executive, said that the industry regulator's decision to seek distribution price cuts of 17 per cent next April from Northern implied that Northern had much to do in cost cutting. Some regional companies face price cuts of just 11 per cent.

"Trafalgar's management is confident of its ability to help Northern run its business more efficiently," said Mr Rich. Analysts were more convinced about what Northern could bring to Trafalgar.

Mr Rich pointed to the combination of regulated and non-regulated businesses and to the possibilities for combining the two companies' electricity expertise to expand overseas.

Any company would bring similar things. The unusual aspect of Trafalgar's bid is how it can offset tax losses against Northern's steady stream of earnings. Trafalgar has £323m of unrelieved advance corporation tax and tax losses which could be offset against trading profits and capital gains. Analysts estimate these could cut Northern's tax rate by up to 5 percentage points.

The capital losses could be put to use in the flotation of the National Grid, scheduled for May or June. Assuming the regional power companies have to pay about £1bn in capital gains tax, Northern's 6.5 per cent share of that would be £65m, some or all of which could be offset by Trafalgar.

This may help to explain why Trafalgar decided to launch its bid more than three months before the expiry of the government's golden share. Waiting longer could have meant foregoing the chances to offset Northern's Grid flotation tax bill.

In the forthcoming weeks Northern will undoubtedly use the "financial engineering" charge against Trafalgar. Sensitive to such charges, Mr Simon Keswick, Trafalgar chairman, said his company had no intention of asset stripping. "We want to keep the business," he said.

Northern will base its attack on Trafalgar's prospects, combined with a defence of its own record. "Nearly 60 per cent of the basic offer consists of paper of uncertain value," its directors said. However, this argument may prove of limited value given the cash alternative available which is a 28 per cent premium on Northern's share price a month ago.

In defending their record, Northern managers acknowledge that in the first two years after privatisation four years ago the company was rated below average by the sector but say it has been re-evaluated since and this has been reflected by a rise in its share price.

Mr Morris will be pointing to several distinguishing features about the company in a sector where 12 companies are constantly trying to differentiate themselves from each other.

It has, he says, been the most successful in increasing its supply business outside its area and it was the first to buy back its shares to cut the tax bills of shareholders.

Yesterday both Trafalgar and Northern were claiming comfort from Northern's share price which remained, at £10.18, up 33p on the day, below both the cash and convertible preference share price offered by Trafalgar.

Trafalgar believes it means the market approves its bid. Northern believes it means the market is concerned about the possibilities of Trafalgar clearing all the regulatory and fair trading hurdles in its way.

Either way there is plenty of time for arguments and share prices to change. Trafalgar said it did not expect to complete the takeover before the end of March when the government's golden share expires.

Shareholders can comfort themselves with the thought that they are not being forced to leap to decisions.

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October 27, 1994

MCIT calls for £70m

By Nicholas Denton

The revival of leveraged buy-outs in the US has led Mezzanine Capital & Income Trust 2001, the UK mezzanine finance trust, to seek up to £70m in new equity.

The trust, to be renamed MCIT, had net assets of £66m at the end of the third quarter, and the new issue effectively doubles its size.

MCIT proposes to raise up to £70m before expenses by way of a placing and open offer of up to 70m S income shares at 65p each and 70m S capital shares at 35p apiece.

The shares may be subscribed for in the form of package units comprising one share of each class with an issue price per package unit of 100p.

Of the issue, shares to the value of £62.5m are being placed and shares worth a further £7.5m are subject to an open offer to shareholders.

Non-binding indications of interest in the placing have been received from institutions, including existing shareholders, for £62.5m.

The issue is sponsored by Hambros Bank and distributed by SG Warburg.

MCIT is raising money on the back of a record of returns to investors that put it up close to the top of league tables of investment trust performance.

Net assets have grown from £29m to £66m since the company's launch in 1986, giving a total return on net assets of 19 per cent a year. MCIT has invested in small ventures ranging from the Great American Cookie Company to the Fannie May Candy Corporation.

But MCI has found itself almost fully invested and unwilling to incur substantial debts. The trust has moved to expand its equity in response to an increase in proposals from Jordan/Zalaznick Advisers, its US investment adviser.

McAlpine close to £45m deal on quarry products

By Christopher Price

Alfred McAlpine, the housebuilding and construction group, yesterday said it was in discussions to sell part of its quarry products business.

The deal, which will raise between £45m and £50m, will be signed with George Wimpey some time in January.

McAlpine said it had received an offer for the three regions of its quarry products business, covering the Midlands and south Wales, north Wales and Scotland. These accounted for turnover of about £30m and operating profits of £1.2m in the year to June 30 1993. It has net assets of £37m.

Wimpey is thought to have beaten rival offers from Tarmac and Redland. Nineteen quarries are to be sold, dealing predominantly in sand, gravel and slate.

The company signalled it was considering its position in the quarrying products business at its year-end in February. It said then: "The fortunes of the quarry products business continue to be closely related to the level of demand from downstream construction activities which remained relatively subdued."

Philip Green in Owen Owen deal

By Neil Buckley

Mr Philip Green, former head of Amber Day (now WEW) and present chairman of discount chain Xceptions, is going into department store retailing with the purchase of Owen Owen for an undisclosed sum.

Together with Mr David Thompson, WEW's former finance director, he has acquired the 13-store group from SPP-LET International.

Owen Owen's turnover last year was £175m, and although it made a loss of about £2m, Mr Green said he believed it could be made profitable by sharing distribution and administration costs with Xceptions.

Fairhaven bid terms disclosed

By Geoff Dyer

Eagleville announced the terms yesterday of a paper and cash offer for Fairhaven International, the Bermuda-registered holding company which has OGC International, the oil services group, as its main asset.

The offer, which was first revealed on November 9, values Fairhaven at £71m.

Eagleville, which already owns 28.9 per cent of Fairhaven, is controlled by Mr Fred Olsen, the Norwegian shipping magnate. Through other interests, Mr Olsen controls 75 per cent of Fairhaven. The offer is designed as a tidying-up exercise for Olsen interests and a means of taking Fairhaven private.

Eagleville is offering one OGC share for every 5 Fairhaven shares, giving them a value of about 29p.

This is a 30 per cent premium over the price of 22½p that Fairhaven shares had on November 8, the day before its directors announced that they had received an approach from Eagleville which might lead to an offer.

Alternatively, shareholders can elect to take a cash offer of 27p a share. Nearly 60 per cent of holders have so far undertaken to accept the paper and not the cash offer.

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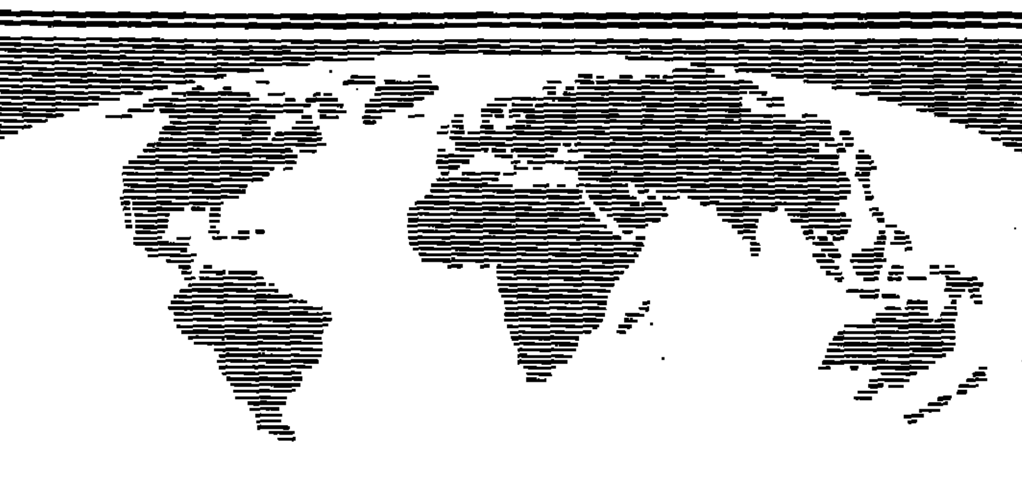

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December 1994

CALL FOR EXPRESSION OF INTEREST FOR THE PURCHASE OF THE GROUP OF ASSETS OF "VOMVICRYL SOCIETE ANONYME INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" of Athens, Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", of 1 Skoulenlou Str., Athens, Greece, in its capacity as Liquidator of "VOMVICRYL SOCIETE ANONYME INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" a Company with its registered office in Athens, Greece (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990 by virtue of Decision 709/93 of the Athens Court of Appeal, invites interested parties to submit within twenty (20) days from the publication of this Notice, non-binding written Expressions of interest for the purchase of the group of assets described below, being sold as single entity.

BRIEF INFORMATION

The Company was established in 1973, and was in operation until 1990, when it was declared bankrupt. On 26.3.93 it was placed under special liquidation according to the provisions of article 46a of Law 1892/1990. Its objects included the production, processing and marketing of all types of fibre and of textiles.

GROUP OF ASSETS OFFERED FOR SALE

Industrial Plant in Avlaki Fhiotida (along the Lamia-Volos National Road) standing on a plot of 190,718, sq.m., including buildings of 23,296.42 sq.m. and containing machinery, mechanical equipment, furniture and other equipment.

SALE PROCEDURE

The sale of the above group of assets of the Company shall take place by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1994 (as supplemented by art.14 of Law 2000/1991 and subsequently amended) and the terms of sale set out in the offering Memorandum as well as in the Call for Tenders for the purchase of the above assets, to be published in the Greek and foreign press on the dates provided by the law.

SUBMISSION OF EXPRESSIONS OF INTEREST - OFFERING MEMORANDUM - INFORMATION

For the submission of Expressions of Interest, as well as in order to obtain a copy of the Offering Memorandum for the above group of assets, please contact the Liquidator "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" 1 Skoulenlou Str., 105 61 Athens Greece, Tel. +30-1-323.14.84-7, fax: +30-1-321.79.05 (attention Mrs. Marika Prangakis) or the Liquidator's agent, Mrs. Ioulia Barakakou, 44, Omirou Str. Athens, Greece Tel.+30-1-361.53.68 fax:+30-1-364.72.37

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COMPANY NEWS: UK

East Midlands' £86m beats City forecasts

By Peggy Hollinger

Shares in East Midlands Electricity rose by 5 per cent after the group announced substantially better than expected interim results and a surprisingly large dividend increase.

East Midlands, the last of the 12 regional electricity companies to report, was the strongest mover in a sector already buoyed by the Trafalgar House bid for Northern Electric. The shares rose 41p to close at 851p.

Analysts said the profits, which rose from £64m to £86m pre-tax for the six months to September 30, were some £13m ahead of average expectations. Sales fell from £666.2m to £619.3m.

The dividend increase of 26 per cent to 8.6p compared with expectations of 8.2p and follows the special 85p pay-out announced in October. "Having paid such a big special dividend, East Midlands might have had more reason than most to be less generous with the pay-out," said Mr. Nigel Hawkins of Hoare Govett.

Mr Norman Askew, chief executive, pointed out that following the recent share consolidation, the underlying increase in the dividend was slightly more than 12 per cent. Earnings per share rose by 37 per cent to 30.2p (22p).

He said the group remained determined to return value to shareholders. The demerger of the National Grid, in which East Midlands holds an 8.4 per cent stake, would be the next opportunity to release substantial value, he said. The market expects this would mean a second special pay-out.

Mr Askew said the profits improvement had been achieved by squeezing more profit from the regulated business and eliminating losses in the non-regulated operations.

The pre-tax line was also helped by a £3.9m reduction in interest charges to £4.5m.

Supply showed a 20 per cent rise in operating profits to £7.9m on sales of £521m (£558m). Distribution lifted profits 10 per cent to £78.2m on sales of £183m (£177m).

On the non-regulated side, operating losses in the contracting division fell from £1m to £400,000. However, retailing remained difficult. East Midlands share of the losses incurred in the retailing joint venture was £3.4m (£4.6m).

Analysts are forecasting pre-tax profits of £215m for the full year, with a dividend total about 18 per cent up at 30.5p.

Norman Askew, left, with Bob Davies, finance director: demerger of the National Grid could mean a further pay-out

Standard Life expands health side

By Alison Smith

Standard Life, the UK's largest mutual life insurer, is to inject a further £10m into Prime Health, its health insurance subsidiary, to help its expansion in the intermediary market.

The move is expected to be announced later this week.

While the sum is small in terms of Standard Life, it represents two-thirds of Prime Health's existing working capital of about £15m.

At the same time, Standard is said to have revised slightly downwards the new business figures it set for Prime.

It is thought to have set the target to rise from about £10m this year to about £20m next year, but this has now been shaded back to nearer £15m.

Even though there is no doubt that Standard is right behind the health insurer, some large intermediaries are said to have wanted to see more capital in the subsidiary itself before being prepared to do business with it.

Standard announced in June that it was buying Prime from Municipal Mutual, the local authority-owned insurance company, for an undisclosed amount.

Last year, Prime's gross premium income was £54m - making it the fifth largest health insurer in the UK. Its policies cover about 50,000 people. However, it suffered a slight hiccup last month with the departure of one of its two regional sales managers.

The acquisition was Standard's first move outside life and pensions policies. Though the scale of the venture is small at present, health insurance is expected to be a fast-growing part of the market.

Next year, Standard faces both the loss of its relationship with Halifax Building Society, in which the UK's largest mortgage lender sold only Standard Life financial services, and increasing competition for sales through independent financial advisers.

Hillsdown acquires Allied Domecq's UK biscuit arm

By Roderick Oram, Consumer Industries Editor

Hillsdown Holdings has bought Lyons Biscuits, the UK biscuit business of Allied Domecq, the spirits group which is shedding its food, tea and coffee operations.

Best known for its Maryland chocolate chip biscuits, Lyons also makes a range of biscuits for the own-label market. It employs 780 people in Blackpool and is profitable on sales of £44m a year.

Hillsdown is thought to have paid just over £20m for the company, which it will merge with its Premier Biscuits division. Together, the two niche producers will have about 4 per cent of the UK biscuit market. Premier, a management buy-out from Cadbury Schweppes in 1987, was bought by Hillsdown in 1989. Its sales are believed to be about £150m.

Tetley tea and Allied's baking business are the last two large groups of assets Allied Domecq still has on the block. With earlier disposals such as DCA Food Industries, it appears to be on track to raise a total of about £800m.

Nestlé of Switzerland and Tata of India were among the companies that looked at Tetley, the first or second largest producer in the UK, many continental European countries, the US and Canada.

Nestlé is thought to have balked at Allied Domecq's asking price, while a purchase by Tata would present the Indian company with some complex financing problems.

Wills Group's shares rise prompts takeover statement

By James Whittington

A sharp rise in the volume of shares traded in Wills Group resulted in an announcement that it is considering the possibility of recommending a takeover offer.

The distributor and manufacturer of fluid handling parts said yesterday that it was "considering a range of strategic alternatives" but declined to give details.

Despite reporting record annual profits, the company's share price has declined from a high of 30p in mid-February to a low for the year of 13½p last Wednesday.

However, heavy trading pushed the price to 15p by Friday's close and yesterday it rose further to 17¾p.

Mr David Massie, chairman and the largest shareholder with a 15 per cent stake, declined to say whether or not the company had received any specific approaches. But he complained that "the market value is out of kilter with the steady progress the company has made".

Analysts said possible bidders might come from one of the company's US partners who want a distribution base in Europe, or from another UK distributor looking to expand.

Wills has made a series of acquisitions over the past year to extend the range of its activities, including a move into manufacturing. It has holdings in France, Germany, Italy, the Netherlands and Spain.

Pre-tax profits for the year to July 2 almost doubled from £1.56m to £2.96m on turnover of £31.5m (£19.3m). Turnover for the present year is forecast to be in excess of £50m.

Aberdeen Trust lifted to £5m

The launch of new products and the general strength of global stock markets helped Aberdeen Trust, the fund management and accountancy services group, hoist pre-tax profits from £3.15m to £5.04m for the year to September 30.

The improved result - which was struck after writing off goodwill of £1.5m - was further reflected in a £3.8m cut in net borrowings which left gearing at 23 per cent (45 per cent).

Turnover rose to £17.7m (£14.8m). Earnings per share climbed to 4.01p (2.46p) while the final dividend is 1.4p for a total of 2p (1.5p).

NEWS DIGEST

Halkin sells brewery to management

Halkin Holdings, the branded products group headed by Mr Howard Hodgson, the former funerals entrepreneur, is selling T Hoskins, its brewery operation, to its management.

The business, described by Mr Hodgson as "non-core" is being sold for about £1.7m - £500,000 above book value - to Tom Hoskins Brewery, a company formed by existing management with the backing of a group of private investors.

The deal, conditional on shareholders' approval, comprises £1.21m cash, payable on completion; Halkin will also subscribe for 500,000 50p convertible preference shares in Tom Hoskins at a premium of 50p.

In August, Halkin announced pre-tax profits of £1.25m on sales of £11.4m in the six months to July 2, the first period since the restructuring which added the Ronson lighters and aerosol group and Clifford International, a gift company, to the Leicester-based brewery.

Mr Hodgson said the disposal should have a minimal impact on the group's trading performance. "I intend to recommend a dividend in respect of the full year," he added.

Strong & Fisher buy

Strong & Fisher, the sheep skin and by-products processor, has acquired Belwood Foods from Hillsdown Holdings for about £2m.

Belwood processes frozen offals for the pet food industry. The consideration, in cash, comprises £1.45m plus the value of Belwood's net assets at December 31 1994.

Strong & Fisher also announced the purchase of a freehold property occupied by its Peninsular Proteins arm, for £10,000 cash. The site, at Torrington, Devon, was owned by a Hillsdown subsidiary.

Burndene lower

Burndene Investments reported a fall in pre-tax profits from £5.8m to £4.54m in the year to October 1.

Profits from the caravan and mobile home division fell to £3.76m (£4.16m) while property, finance and administration contributed a much lower £153,332 (£1.04m). The hosiery division, however, rose slightly to £627,347 (£597,319).

Turnover improved to £62.2m (£59m). Earnings per share fell from 3.73p to 2.96p. The dividend is raised to 1.925p with a lower final of 1.175p (1.25p).

Edinburgh Japan

Net asset value per share at Edinburgh Japan Trust dropped by 12 per cent to 165p at November 30, against 188p six months earlier. The result compared with a 7.6 per cent fall in the Tokyo First Section Index, in sterling terms.

Net deficit for the six months was again £29,000 with losses per share unchanged at 0.29p.

Ewart improves

Ewart announced a 46 per cent upturn in interim profits, as the Belfast-based property group continued to concentrate on combining steady rental growth with a "low-risk approach" to development.

Turnover in the half year to October 31 amounted to £2.66m; the corresponding figure of £3.32m took in £762,000 from a property disposal. After a reduced interest burden, the pre-tax line emerged at £511,000 (£351,000).

The interim dividend goes up to 0.5p (0.4p), payable from earnings of 1.66p (1.86p) per share on capital increased by the placing and open offer in the summer.

Abtrust Preferred

Abtrust Preferred Income Investment Trust had a net asset value per zero dividend preference share of 147.65p at the November 30 interim stage, against 139.65p six months previously. The asset value of the ordinary income shares fell from 118.2p to 91.28p.

Net revenue amounted to £1.58m, against £1.49m in the comparable period and earnings grew to 8.33p (7.86p) per income share.

A second interim dividend of 3p makes 6p (5.8125p) to date.

Burford purchase

Burford Holdings is to buy the long leasehold interest in the Victoria Circus Shopping Centre, Southend, Essex, from Sanfield Lynton for £11.4m cash.

Sanfield Lynton is a joint venture between Sanfield Properties and Lynton, part of BAA. The property extends to 3.5 acres and comprises 270,000 sq ft of offices and a 680-space multi-storey car park.

Care UK recovers

Care UK, the USM-quoted nursing home operator, reported pre-tax profits for the year to September 30 of £6.92m on turnover of £18.4m, including £3.57m from discontinued activities.

The result compared with losses of £7.02m on turnover of £17.6m of which £10.9m was from discontinued businesses. Earnings per share were 2.19p (losses 4.76p).

However, the company said that because of its restructuring in March the figures were not strictly comparable. It provided figures for ongoing businesses showing turnover up 33 per cent at £11.1m giving operating profits almost doubled at £2.54m.

N Atlantic Smaller

North Atlantic Smaller Companies Investment Trust raised fully diluted net asset value per share by 6 per cent from 256p to 271p during the nine months to October 31.

The increase compared with a 9.9 per cent fall in Standard & Poor's Composite Index (adjusted for currency).

The trust said market conditions, remained difficult.

HK Bank Canada

Hongkong Bank of Canada, the HSBC Holdings subsidiary, reported net income for the year to October 31 of C$85.9m (£38.5m), against C$63.2m, despite a slowing in the fourth quarter.

Total assets rose 18.5 per cent over the year to C$16bn. Risk asset ratio was 8.71 per cent with a tier 1 capital ratio of 5.38 per cent.

Ascot Holdings

Ascot Holdings, the property, pubs and hotels group, has received the necessary shareholder approvals to proceed with its £173m debt restructuring proposals.

On completion of the restructuring, the group will have pro-forma net assets of £55.4m, equivalent to 201p per new ordinary share.

COMPANY NEWS: UK

Premier Cons confirms talks over Pict stake

By Christopher Price

A bid battle among Britain's independent oil exploration companies was signalled yesterday when Premier Consolidated Oilfields confirmed it was in discussions to buy a 48.3 per cent stake in Pict Petroleum, as part of a £80m full offer for its smaller rival.

Premier is negotiating with Amerada Hess, the US oil and gas exploration group, to buy the shares it has held since 1987. As part of a possible deal, Amerada would trade its holding for a stake in Premier and subscribe for further shares to a maximum of 25 per cent.

Last night, Mr John Lander, Pict managing director, said: "We have been notified by Amerada Hess of their discussions with Premier, but as such we have not had any approach." He refused to comment further on any ramifications of an offer from Premier.

Premier said that any offer would be made on the basis of the group's relative share prices at the close of trading last Friday. Pict shares were then 141p, while Premier stood at 21½p.

Premier added: "Any offer for Pict is unlikely to value the company at a significant premium to that price."

Yesterday, Pict shares closed 14p up at 155p, valuing the company at £80m, while Premier shares finished 1¼p up at 23p.

Analysts said that at this level of valuation, an all-paper offer would probably involve about seven Premier shares for every one Pict, giving Amerada a stake of about 24 per cent in Premier. In the event of an offer, the US group would pay 30p a share to increase its stake to the 25 per cent ceiling.

Mr Iain Reid, oil analyst at SG Warburg, said: "At this price, this deal does not reflect the upside in Pict's drilling programme. We feel a more appropriate offer should be nearer the £2 a share level."

IMI sells first phase of Holford estate

By Paul Cheeseright, Midlands Correspondent

IMI, the engineering group, is selling the completed first phase of its Holford industrial and warehousing estate in Birmingham to Rodamco, the Dutch group, for £25m.

The Holford estate is on land owned by IMI near Spaghetti Junction on the M6 motorway. It has been producing rental income of £2.5m a year and was valued in the last accounts at £23m.

IMI has extensive holdings of land which are no longer required for group operations. "The Holford estate has never been a core part of IMI," said Mr Alan Emson, finance director. "The market place for this type of development has improved."

There has been a steady demand for distribution properties on sites near motorway junctions in the Midlands and numerous projects have emerged to compete with established developments like Holford.

The phase being sold to Rodamco cost £16.5m to develop. Phase two of the estate thus far involves just one building – an office block for Birmingham Cable.

Baird expands clothing side with £11.5m buy

By James Whittington

William Baird, one of the leading suppliers to Marks and Spencer, yesterday announced the acquisition of Morris Cohen, a privately-owned lingerie and nightwear manufacturer which also supplies M&S, for £11.5m.

The purchase will be financed by the issue of 2m ordinary shares at a price of 215p, plus £4.4m in loan notes and £2.8m cash.

The move is part of Baird's plan to withdraw from the engineering sector and concentrate on its core clothing and textiles business. Last year it acquired Richard I Racke, a maker of women's wear and casual clothing for M&S.

Cohen's forecast turnover for 1994 is £32m. Baird's contract clothing operations had sales of £230m last year, most of which came from M&S.

The target's production units, located in south Wales, will be merged with Baird's existing contract lingerie operations nearby which will reduce operating costs and management time.

"It's a perfect business for us in terms of its product, location and customer," said Mr Donald Parr, Baird's chairman.

Cohen's net assets are about £6.5m, before a dividend of £2m to be paid to the vendors.

Break for the Border expands

Break for the Border Group, the restaurant and live music venue operator, has agreed with Mr Andrew Marler and Turner Page Music to acquire Glowspine – a newly-formed company owned by Mr Marler – for £900,000.

Immediately prior to completion, Glowspine will, in exchange for preference shares, acquire from Turner Page, the business of promoting and operating the Shepherd's Bush Empire.

Glowspine will enter into a 15-year lease for the Shepherd's Bush Empire with Sharpfleur, a newly-formed company also owned by Mr Marler, which will acquire the theatre from Turner Page, subject to a £1.3m mortgage, for the issue of Sharpfleur preference shares. Glowspine will have an option, exercisable for up to two years, to buy Sharpfleur for more than £300,000.

Charles Sidney in bid for Bletchley

By Peter Pearse

Charles Sidney, the Mercedes-Benz truck and car dealer, has made a recommended all-share offer for Bletchley Motor Group, which has 19 volume car dealerships, in a deal which values the latter at about £16m, or 260p a share.

BMG's shares fell 5p to 260p and Charles Sidney's were unchanged at 90p.

Charles Sidney has received irrevocable undertakings from Mr David Dunn, BMG chairman and chief executive, and the other BMG directors to accept the offer. They speak for 1.44m shares, or 23.5 per cent of the issued capital.

Under the terms, existing Charles Sidney shareholders will hold 57.1 per cent of the enlarged group, and BMG shareholders 42.9 per cent. Charles Sidney is offering 2.8938 new shares for every BMG share. Full acceptance will entail the issue of up to about 17.8m new shares. BMG shareholders will also receive a special 2p dividend.

Mr Raymond Edwards, Charles Sidney chairman, said: "There is no geographical clash and there is no manufacturer clash." Charles Sidney has dealerships in Yorkshire and Scotland and sells Mercedes-Benz vehicles. BMG is based in the northern home counties and its dealerships include Vauxhall, Rover, Toyota, Fiat, Peugeot, Citroën, Honda and Ford.

Mr Edwards said the manufacturers, far from seeing problems in the merger, saw it as positive.

He added that there were opportunities for cross-selling – in that BMG's rental fleets are small and do not include commercial vehicles – and that the contract hire and rental divisions of both groups would be brought under one management.

In the year to August 31, the ungeared Charles Sidney made pre-tax profits of £2.87m (£2.46m) on turnover of £72.2m (£55.8m). In the six months to June 30, BMG made profits of £1.1m (£800,000) pre-tax on turnover of £52.7m (£39.6m).

Friends Provident acquires LCH

By Simon London, Property Correspondent

London Capital Holdings, the property company owned by Citibank which withdrew plans for a stock market flotation in May, has been bought by Friends Provident, the mutual life insurance company.

Friends Provident will merge its £100m central London property portfolio with LCH's £240m assets. The new company will be owned 78 per cent by the life insurer and 22 per cent by Citibank.

In addition, loans made to LCH by Citibank will be refinanced by Friends Provident, which is effectively buying the assets at a modest discount to market value.

Mr Nigel Kempner and Mr Stephen Musgrave, joint managing directors of LCH, have resigned from the company.

LCH was formed from the remnants of Randsworth Trust, which was taken private in 1989 at the peak of the market, but subsequently had to be rescued by Citibank.

Its portfolio includes a number of well-known buildings in London's west end, including the St Christopher's Place Estate near Oxford Street.

LCH's planned flotation was pulled at the last minute because Citibank was not prepared to accept the price at which advisers said the shares would have to be sold.

Mr Jeffrey Heintz, managing director at Citibank, said the bank had achieved more attractive terms from Friends Provident than could have been achieve through a flotation.

Margins under pressure as Brasway rises 20%

By Paul Cheeseright, Midlands Correspondent

Brasway, the West Midlands hose and fittings, lubricants and property group, lifted pre-tax profits by 20 per cent in the six months to October 29.

However, Mr Mark Swaby, chairman, said there was pressure on margins and further action to cut costs would be taken in the second half.

Profits were £505,000 (£420,000) giving earnings per share of 0.43p, against 0.36p, and the interim dividend is maintained at 0.24p. A total of 0.53p was paid in 1993-94.

Turnover rose to £19.4m (£15.3m) but the performance of its divisions was uneven.

At Europower, the hose and fittings business, the order intake has been strong. As a market leader, Brasway has been able to impose price rises to ease margin pressure. But it is still seeking productivity improvement through rationalisation at its Whitby and Market Weighton plants.

At Excelube, the lubricants company which was responsible for a large part of Brasway's improved 1993-94 profits, business was sluggish in the first quarter, although better in the second. But margins have been squeezed and the company is too small to do more than follow the price lead of the oil majors.

Property rents provided the biggest element – £252,000 – of the pre-tax profits.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberdeen Trust	fin	1.4	Mar 1	1	2	1.5
Abtrust Pref	int	3☆	Jan 31	2.90625	-	12
Brasway	int	0.24	Mar 7	0.24	-	0.53
Burndene Invs	fin	1.175	Feb 16	1.25	1.925	1.75
East Midlands	int	8.6	Mar 23	6.8	-	22.7
Ewart	int	0.5†	Feb 16	0.4	-	1
Ivory & Sime	int	2.25	Jan 31	2.25	-	7.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Second interim.

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October 1994

COMMODITIES AND AGRICULTURE

Lonrho and Gencor go for gold in the CIS

By Kenneth Gooding, Mining Correspondent

Lonrho, the London-based international trading combine, and Gencor, the South African mining group, are setting up a joint company to develop gold mines in the former Soviet Union. Mr Joe Platts-Mills, a Lonrho director, said he expected the joint venture to identify within two years big reserves in the Commonwealth of Independent States, probably as much as 2,000 tonnes (64.3m troy ounces)

The 50-50 joint venture would draw on his group's contacts in the CIS – developed over the past five years and not just in the mining sector – and its ability to work in unusual places and Gencor's mining know-how, including its Biox technology. This uses bacteria to break down refractory, or difficult, ores to release the gold locked inside instead of employing expensive heat and pressure vessels.

Mr Platts-Mills said it was the policy of the former Soviet Union to leave refractory sulphide gold deposits untouched so the technology had a lot to offer the CIS, including the ability to treat ore with a high arsenic content and leave no harmful waste.

Mr Adrian Coates of Warrior International, which advised Gencor on the deal, said the South African group concluded from visits to the CIS two years ago that there were many ore bodies there that would lend themselves to the Biox process. Gencor also believed it was several years ahead of its nearest rival in bacterial gold recovery and needed to put this advantage to good use.

The obvious partner was Lonrho, which via its 45-per-cent-owned associate Ashanti Goldfields in Ghana was the largest commercial user of the technology and was already well-established in the CIS. Lonrho's access to the Biox technology was primarily responsible a year ago for it winning the right to develop a big gold mine in Uzbekistan, with two Uzbek government-owned companies.

Discussions are well advanced with the Uzbek State Committee on Geology for the development of its Ingichki Research Establishment as a centre for the testing ores to see if they are amenable to the Biox process.

Lonrho at present was engaged in 36 serious discussions about mining ventures in Uzbekistan, Russia, Kazakhstan, Tajikistan and Kurdistan, said Mr Platts Mills. Most of the contacts were in Russia but the republic had so far not shown itself to be as open to doing deals as some of the central Asian republics.

'Coffee has probably peaked'

By Alison Maitland

World coffee prices have probably peaked, provided there are no further crop surprises and the next Brazilian harvest turns out well above the gloomiest forecasts, according to the Economist Intelligence Unit.

In its December outlook for food commodities, it predicts a 1995-96 crop of 17.5m bags, helped by the recent rains. This is 2.7m tonnes higher than the highest estimate from the Brazilian government in early November.

The EIU sees the crop rising to 28m bags the following year. However, if this recovery is threatened, for example, by further frosts next year, prices could easily rise above $3 a pound, it says. This is because stocks at the end of the 1994-95 season are likely to be at their lowest for many years, especially in producing countries.

The EIU sees the differential between robusta and mild arabica prices widening from about 17 per cent at present to average more than 20 per cent next year. It says robusta supplies should recover sharply thanks to a bumper crop expected in Indonesia in 1995-96 and big increases in the harvests this season in Ivory Coast, Vietnam and Thailand.

After this year's sharp rise in sugar prices, the report predicts little change next year, and a decline to about 11 cents a pound, from a 1994 average of 11.9 cents, in early 1996. This is because of a probable swing from a third successive global deficit to a surplus of 1m tonnes in 1995-96.

On grains, it expects record maize and soyabean crops in the US this year to push prices lower next year.

It says export prices of US maize will hit their long-term floor, averaging about $9 a tonne less than in 1994 at $100 a tonne or just below. The US maize crop of up to 260m tonnes will push carry-over stocks to nearly 60m tonnes at the end of the season next August, compared with 22m tonnes a year earlier, says the EIU. But a stock drawdown is likely to help prices recover in the first half of 1996.

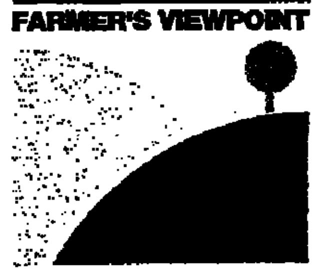
Soyabean oil is forecast to fall to $559 a tonne by the third quarter of next year – 8.5 per cent lower than the third quarter average for 1994 – based on world oilseed output reaching more than 189m tonnes in 1994-95, up nearly 11 per cent on the previous year.

Wheat prices are expected to range between $150 and $160 a tonne until the middle of 1996, unless the US crop next year proves insufficient to rebuild depleted global stocks. In that event, the EIU predicts prices could go as high as $180 a tonne.

Kissing goodbye to a Christmas tradition

The problems of British apple growers are hitting supplies of home-grown mistletoe

FARMER'S VIEWPOINT



By David Richardson

Will the kissing have to stop? And if it does, will this be the result of a machiavellian plot hatched by the European Union? Moreover, if every red-blooded Brit observed rules established over generations might the practice already be dying out? Not because of a punitive quota but simply because of market forces.

I refer of course to the possibility of a crisis in the mistletoe business and to the tradition that dictates one berry should be removed from each sprig of the foliage for each kiss that takes place beneath it.

Fortunately such rules are regularly ignored and the season of goodwill usually permits pursed lips to press against one another, according to custom, an unlimited number of times without berries being removed. Which is just as well, because were that not the case, I would be looking forward to a very dull Christmas.

In the absence of any of the parasitic plants on our own apple trees, the other day my wife bought a small sprig of mistletoe in our local Norfolk town. It weighed between three and four ounces, complete with a dozen or so berries, and it cost her £1. Indeed, she refused to buy any more at such an extortionate price. Perhaps she was also trying to tell me something.

But I had already established that at auction in Tenbury in Worcestershire (or "the orchard", as Queen Victoria is said to have dubbed the town), the price was about 75p a pound last week. Somebody in the supply chain, which admittedly stretches from the West Midlands to East Anglia seems to be making a pretty good margin.

Because of the association of mistletoe with apple trees it can only get dearer in the future.

Although it will grow on poplar and occasionally on oak trees, its favourite "host" is the apple. It establishes itself on the trees as a result of the beak-cleaning activities of songbirds, especially mistle thrushes. Having fed in mistletoe berries (which are poisonous to some species) the birds apparently, get seeds stuck in the crevices of their beaks – like grape pips between our teeth. Not having tooth picks readily to hand, the birds scrape the seeds out of their beaks on to the rough bark of apple trees and "plant" them where they grow. Mistletoe derives its nourishment from the sap of the trees.

UK apple growers have had a rough time in recent years as fruit from other countries has displaced indigenous varieties. French Golden Delicious have been a particular problem, although one British apple grower suggested the French should be hauled up before the courts under the Trades Description Act for naming the variety delicious. They come in during our own season and, being a very high yielding variety, cost much less to grow than best British apples such as Cox.

The disappearance of almost half of Britain's apple trees since the country joined the Common Market in 1973, is not the only cause of the mistletoe shortage; nor will the grant-aided grubbing out of a further 13 per cent of British orchards, as a result of a recent EU scheme to cut community production and attempt to raise the price of apples to economic levels, necessarily affect future supplies of mistletoe.

For the EU rules state that the apple orchards to be grubbed must be composed of young trees, not more than 20 years old and capable of bearing a full crop of fruit. They must also be planted at a density of not more than 160 trees an acre. In other words, the orchards that will go will be modern, hedge-type plantings enabling easy picking from the ground.

But parasitic mistletoe is only allowed to grow on big old trees in traditional orchards. Fifty-year-old or more cider and cooking apple trees are much the best – the ones not covered by the EU scheme. One of the reasons for this is that most of those trees are uneconomic for fruit production, on their last legs and almost ready to fall down in any case. Many are only retained to provide shelter for sheep flocks that graze the orchards and for the side-line cutting of mistletoe.

It may be, therefore, as these old trees disappear, that in future years, sales of traditional winter greenery held at Tenbury market on the four Tuesdays before Christmas each year will have fewer bunches of local mistletoe mixed among the holly and Christmas trees. Indeed these annual auctions have already begun to attract entries from northern France where mistletoe is plentiful especially on the ubiquitous poplars.

But disparaging locals say the French stuff is not as good. For a start it is usually a different, less attractive variety. But worse than this is the way it is presented: dehydrated and squashed following the long journey across the channel.

The French, you see, have no real appreciation of the plant nor of any tradition of kissing under the mistletoe in spite of their racy reputation. Only the British have revered mistletoe from the time of the ancient Druids and today its magical and licentious powers are exclusively enjoyed in the English-speaking world.

And when you think of it, kissing in France is only a series of ritual pecks on the cheek – perhaps because of the preponderence of garlic in the diet. The British are the deliverers and recipients of full frontal smackers and long may there be sufficient English mistletoe around to enable and enhance that excellent Christmas tradition.

MARKET REPORT

Base metals down

Base metals prices rallied from their lows at the London Metal Exchange yesterday but still ended with net losses, despite strong buying of ALUMINIUM.

The cash premium in the COPPER market narrowed sharply as concern about approaching options declarations eased.

An unsettled day at the London Commodity Exchange COFFEE market ended with the March futures price up $10 at $2,648 a tonne, after trading between $2,607 and $2,690. Talk of a new producers retention scheme provided some support.

Compiled from Reuters

Norwegians withdraw from gas pipe project

By Karen Fossli in Oslo

Statoil, the Norwegian state oil company, and Norsk Hydro, Norway's largest publicly quoted company, have abruptly withdrawn from the proposed 440m pipeline project to link the UK with the European natural gas grid.

The new pipeline, know as the interconnector, will allow large-scale gas exports from the UK by the end of the decade.

The interconnector will be owned by British Gas, with 40 per cent, British Petroleum, Elf Aquitaine, Gazprom of Russia and Conoco, each with 10 per cent, and UK utility National Power, Ruhrgas of Germany, Distrgaz of Belgium and Amerada Hess, each with 5 per cent.

Statoil and Norsk Hydro said they had made their participation in the pipeline conditional on achieving a solution to a dispute between Norway and Britain over a new Frigg gas pipeline treaty.

"However, the majority of the other companies involved in the scheme were unwilling to accept this reservation. The dispute over the Frigg line consequently has to find a political solution," Statoil said.

The British government refuses to ratify the deal, valued at more than NKr20bn (£1.87bn) and agreed in 1991 for Norway to supply National Power with 30.8bn cubic metres of gas over 14 years through the Frigg pipeline.

Norway says the British government made Norwegian companies' participation in the interconnector conditional on clearing the way for new Norwegian gas exports to the UK through the Frigg gas pipeline.

"We will wait for the British government to clarify its position on the Frigg pipeline before deciding our next move on the treaty issue," said Mr Tore Sandvold, director-general at Norway's industry and energy ministry.

Norway and Britain have for several years been in dispute over the terms governing transport of new Norwegian gas deliveries to the UK through the Frigg pipeline.

Meanwhile, a planning application for the interconnector will be submitted early next year, in time for construction to begin in the spring of 1996. the pipeline is likely to be completed in the autumn of 1998. It will carry 20bn cubic metres of gas annually.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1858.5-59.5	1894-95
Previous	1892.5-93.5	1923-24
High/low	1842/1837	1910/1865
AM Official	1843-45	1874-76
Kerb close		1900-1
Open int.	257,100	
Total daily turnover	61,532	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1820-30	1860-65
Previous	1820-30	1860-70
High/low	1801	1850
AM Official	1800-1	1840-45
Kerb close		1860-5
Open int.	2,801	
Total daily turnover	1,174	

■ LEAD ($ per tonne)

Close	626-28	645-47
Previous	639-40	657-58
High/low		655/636
AM Official	619-20	638.5-39.0
Kerb close		646-7
Open int.	45,683	
Total daily turnover	12,346	

■ NICKEL ($ per tonne)

Close	8300-25	8450-75
Previous	8540-50	8685-90
High/low	8170/8150	8600/8260
AM Official	8145-50	8325-30
Kerb close		8450-60
Open int.	66,986	
Total daily turnover	17,819	

■ TIN ($ per tonne)

Close	5850-60	5950-60
Previous	5950-60	6050-60
High/low	5840	5955/5920
AM Official	5830-40	5930-35
Kerb close		5960-60
Open int.	22,979	
Total daily turnover	5,338	

■ ZINC, special high grade ($ per tonne)

Close	1102.5-3.5	1131-32
Previous	1110.5-11.5	1138-39
High/low	1099/1098	1136/1119
AM Official	1097-98	1126-27
Kerb close		1132-3
Open int.	105,325	
Total daily turnover	54,235	

■ COPPER, grade A ($ per tonne)

Close	3002-7	2957-58
Previous	3054-56	2985-86
High/low	3025/2990	2985/2920
AM Official	3027-30	2980-85
Kerb close		2951-3
Open int.	232,915	
Total daily turnover	137,155	

■ LME AM Official £/$ rate: 1.5590
LME Closing £/$ rate: 1.5615

Spot:1.5620 3 mths:1.5622 6 mths:1.5618 9 mths:1.5614

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Dec	136.60	-2.25	137.35	135.30	3,677	670
Jan	136.20	-2.55	137.00	135.40	1,949	228
Feb	135.00	-2.20	135.00	135.00	818	60
Mar	134.00	-1.85	135.00	132.60	29,037	4,633
Apr	130.00	-2.10	130.00	129.00	761	30
May	128.40	-1.05	128.90	127.20	3,940	395
Total					51,428	6,573

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	379.10-379.50	
Opening	378.80-379.20	
Morning fix	379.00	243.027
Afternoon fix	379.20	242.921
Day's High	379.60-379.90	
Day's Low	378.70-379.10	
Previous close	380.60-381.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.87 6 months 5.78
2 months ....5.01 12 months 6.46
3 months 5.25

Silver Fix	p/troy oz.	US cts equiv.
Spot	305.80	477.00
3 months	310.15	488.85
6 months	315.35	491.85
1 year	326.75	509.40

Gold Coins	$ price	£ equiv.
Krugerrand	380-383	244-247
Maple Leaf	389.75-392.20	
New Sovereign	88-91	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	379.2	+0.6	379.2	379.2	138	43
Jan	380.0	+0.6	-	-	1	-
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)
■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)
■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)
■ CRUDE OIL IPE ($/barrel)
■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)
■ GAS OIL IPE ($/tonne)
■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)
■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	106.10	-0.55	106.45	106.10	957	22
Mar	107.35	-0.45	107.80	107.35	1,792	84

■ WHEAT CBT (5,000bu min; cents/60lb bushel)
■ MAIZE CBT (5,000 bu min; cents/56lb bushel)
■ BARLEY LCE (£ per tonne)
■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)
■ SOYABEAN OIL CBT (60,000lbs; cents/lb)
■ SOYABEAN MEAL CBT (100 tons; $/ton)
■ POTATOES LCE (£/tonne)
■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Tea

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1023	+38	1036	977	3,426	228
Mar	976	+6	985	973	43,131	2,557

■ COCOA CSCE (10 tonnes; $/tonnes)
■ COCOA (ICCO) (SDR's/tonne)
■ COFFEE LCE ($/tonne)
■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)
■ COFFEE (ICO) (US cents/pound)
■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)
■ WHITE SUGAR LCE ($/tonne)
■ SUGAR '11' CSCE (112,000lbs; cents/lbs)
■ COTTON NYCE (50,000lbs; cents/lbs)
■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 19	Dec 16	month ago	year ago
2189.4	2189.4	2169.6	1673.6

■ CRB Futures (Base: 1967=100)

Dec 16	Dec 15	month ago	year ago
232.06	230.79	232.72	225.13

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	70.450	-0.325	70.725	70.275	2,765	1,148
Feb	70.600	-	70.750	70.200	31,175	8,822

■ LIVE HOGS CME (40,000lbs; cents/lbs)
■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME
■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

	Jan	Mar	Jan	Mar
2500	179	247	5	98
2550	135	218	11	119
2600	97	191	13	142

■ COCOA LCE

	Mar	May	Mar	May
900	90	102	14	29
925	72	86	21	38
950	56	72	30	49

■ BRENT CRUDE IPE

	Jan	Apr	Jan	Apr
1600	-	44	-	68
1650	-	29	-	98
1700	-	19	-	138

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$15.20-5.26u	+0.130
Brent Blend (dated)	$15.62-5.63	+0.185
Brent Blend (Feb)	$15.90-5.91	+0.100
W.T.I. (1pm est)	$15.84-5.86u	+0.030

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	157-159	-1
Gas Oil	$139-141	-1.5
Heavy Fuel Oil	*$97-99*	
Naphtha	$162-165	
Jet fuel	$156-158	-2
Diesel	$145-146	-2

Petroleum Argus. Tel. London (071) 359 8792

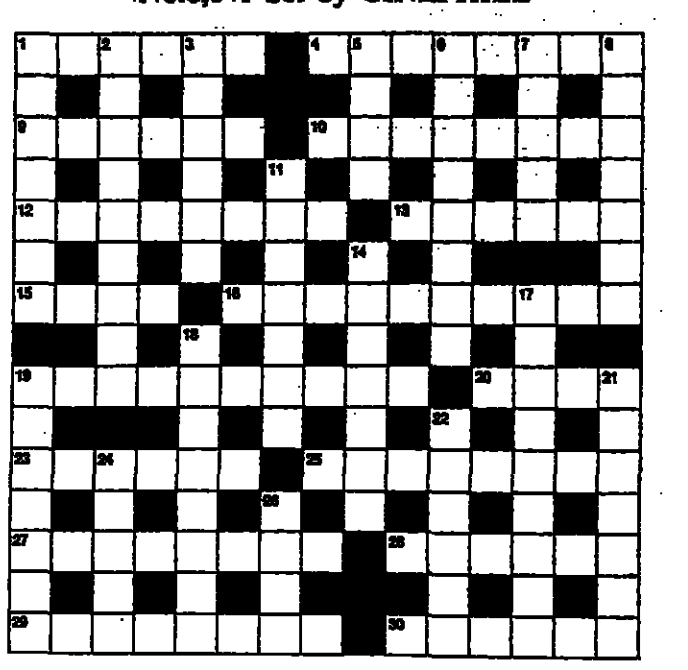
■ OTHER

Gold (per troy oz)‡	$379.30	-1.50
Silver (per troy oz)‡	479.5c	-2.50
Platinum (per troy oz.)	$413.40	-0.60
Palladium (per troy oz.)	$152.75	
Copper (US prod.)	143.0c	
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	14.90r	-0.15
Tin (New York)	275.5c	-3.0
Cattle (live weight)†	118.86p	-2.80*
Sheep (live weight)†♦	119.49p	-1.50*
Pigs (live weight)	81.84p	+0.80*
Lon. day sugar (raw)	$370.80	+5.90
Lon. day sugar (wte)	$421.50	+7.50
Tate & Lyle export	£353.00	+5.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	
Wheat (US Dark North)	£165.0	
Rubber (Jan)♥	103.50p	+1.00
Rubber (Feb)♥	103.00p	+1.00
Rubber (KL RSS No1 Jul)	386.0m	+13.5
Coconut Oil (Phil)§	$690.0y	+10.0
Palm Oil (Malay.)§	$705.0z	+5.0
Copra (Phil)§	$444.0q	
Soyabeans (US)	£170.0z	
Cotton Outlook'A' Index	87.50c	-0.40
Wooltops (64s Super)	470p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. v Nov/Dec. u Feb. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♦ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,641 Set by CINEPHILE



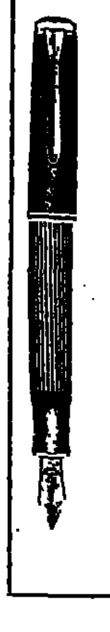
ACROSS

1 Put seed in row and say it's someone else's? (6)
4, 10 Pinch Crippen's got blurred where customers walk (8,8)
9 Glazed fabric: note suggestion at last (6)
10 See 4
12 I'm in a lot of luck: put me before skilled worker (8)
13 Tumulus with a wheel? (6)
15, 5 (or 26), 20 Yearn to appear tough (or unworried) (4,4,4)
16 Wealth: it's tedious going round through it (10)
19 Highly florid singing, actual or potential or inserted (10)
20 See 15 as convenience to king (4)
23 Remove rider from position at the United Nations (6)
25 Something stopping one making Close bat (8)
27 Parrot talking a good number of languages? (8)
28 Beer a barrier to work (6)
29 Wood or wool? The answer's little different (5-3)
30 Journalist is getting on with inventor (6)

DOWN

1 Number after point is claimed in error (7)
2 Fruit to preserve in a lot of salt, Manchester's way (4,5)
3 Tailless monster eats it as well (6)
5 See 15: it's bad, with luck (4)
6 Wolves, old, to be presented (8)
7 Meal without starter enough for this man? (5)
8 Escape? I don't believe it! (7)
11 Go to another country whence I get my warmth, say (7)
14 Attribute to a writer (7)
17, 18 I appeal to some heavenly characters in regal form for a balanced figure (9,8)
19 A little bread, say, a favourite thing to toast (7)
21 Awfully keen to criticise harshly what should protect the joint (7)
22 Leave helpless in London - that's some yarn (6)
24 Consecutive notes, right for our system (5)
26 See 15 for loco-motion? (4)

Solution to Saturday's prize puzzle on Saturday December 31.
Solution to yesterday's prize puzzle on Monday January 2.



Of broking and jobbing the Pelikan's fond,
See how sweetly he puts your word onto bond.

Pelikan

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Equities in good form as bid stories emerge

By Steve Thompson

The emergence of a series of actual and potential takeover developments supplied the ammunition for a strong start to the week in London's equity market.

Dealers said there were no real surprises with Trafalgar House's bid for Northern Electric but potential bids for oil group Pict Petroleum and Wills Group, the industrial concern, were news to the market.

And marketmakers remained on red alert for an expected bid from De La Rue for Portals, the banknote paper manufacturer.

There was no disguising, however, the beginning of a winding down process in the market ahead of the Christmas holiday. That was evident in the relatively low level of turnover – 477.2m shares – the lowest for ten trading sessions. Activity in non FT-SE stocks accounted for 275.8m shares, or 58 per cent of the overall total. The value of customer business is expected to fall close to £1bn; last Friday saw customer business worth £1.54bn pass through the market.

A disappointing opening to Wall Street, where the Dow Jones Average came in under pressure and fell over 20 points within an hour of the opening, took some of the shine off London's excellent showing. There was an element of uncertainty in the US ahead of today's crucial Federal Open Market Committee meeting which will ponder US monetary policy.

London traders did not expect any shift in US interest rates until the New Year. "We expect the Federal Reserve to wait until it has sieved through the necessary data on the fourth quarter before it decides on any further shift," said the head of strategy at one big European bank.

Looking further ahead, he said there was a faint hope of a reduction in German interest rates on Thursday when the Bundesbank Council meets in Frankfurt.

The market's takeover enthusiasm was such that the FT-SE 100 shrugged off a tired-looking Wall Street and closed 20.8 higher at 3,034.4, its highest for almost two weeks.

There was also keen support for second-line issues, where the FT-SE Mid 250 index settled 22.9 higher at 3,460.0.

Pride of place however, went to BP, whose rehabilitation was completed as the stock became the UK equity market's highest capitalised stock for the first time since the 1980s.

The 100 index began the day some 13 points higher, as the market got wind of the Trafalgar House offer for Northern Electric, a move which sparked buying across the whole utilities areas of the market.

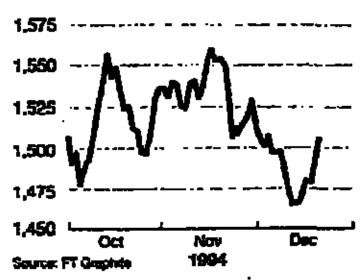
Analysts said the Trafalgar move could attract a counter offer from domestic or overseas predators anxious to acquire the cash generative electricity company. The generally accepted view around the market was that the bid for Northern was probably the first of many among the recs. South Wales Electricity, London, South Western and Norweb remain the other favourite targets. East Midlands Electricity raced higher, courtesy of a 27 per cent interim dividend increase.

Dealers pointed to above-average turnover in the recs as the bid speculation gripped the sector; "Big turnover is always the precursor of corporate activity," said one trader "and we've seen big activity for two weeks."

Outside of the utilities and excluding the expected offer for Portals dealers said there was plenty of activity across various sectors. In a generally firm retailing sector Kingfisher was outstanding - and the FT-SE 100's best individual performer – amid talk of buoyant sales.

SG Warburg took the wooden spoon as the worst performer in the 100 index, with suggestions of great unhappiness around the company's various departments after the failed merger talks with Morgan Stanley.

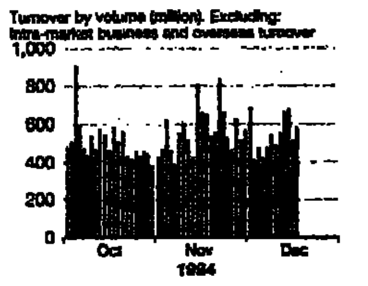
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3034.4	+20.8	FT Ordinary index	2331.1	+16.8
FT-SE Mid 250	3460.0	+22.9	FT-SE-A Non Fins p/e	17.90	(17.77)
FT-SE-A 350	1521.0	+10.3	FT-SE 100 Fut Dec	3063.0	+92.5
FT-SE-A All-Share	1505.86	+9.81	10 yr Gilt yield	8.57	(8.59)
FT-SE-A All-Share yield	4.06	(4.10)	Long gilt/equity yld ratio:	2.13	(2.11)

Best performing sectors		Worst performing sectors	
1 Life Assurance	+1.5	1 Gas Distribution	-0.5
2 Building & Construc	+1.5	2 Merchant Banks	-0.4
3 Building Materials	+1.3	3 Breweries	-0.4
4 Electricity	+1.2	4 Extractive Inds	-0.1
5 Pharmaceuticals	+1.2	5 Textiles & Apparel	+0.1

Portals bid news expected

Specialist paper group Portals jumped 45 to 965p as the company's executive directors held face to face negotiations with their counterparts from De La Rue, the bank note printer.

The boards of the two groups spent much of yesterday thrashing out details that are expected to lead to a killer bid worth in excess of £10 a share from De La Rue.

It is believed that the highest amount De La Rue could justifiably pay would be 1025p per share, which would value Portals at £665m. There will be an announcement this week, possibly as early as tomorrow. One insider said: "With the share price swinging around like this and nobody knowing what is going on, there is in effect a false market. They have to say something."

This is the second time this year that De La Rue has declared its interest in Portals, and analysts believe that if it backs away again there would be a damaging loss of face and De La Rue would be forced to launch a hostile bid – something it has shied away from because of the historically close relationship between the two groups. De La Rue firmed a penny to 956p.

Trafalgar offer

Northern Electric forged ahead 33 to 1018p as the market braced itself for a long drawn out bid battle after Trafalgar House finally launched its long-awaited £1.2m bid for the distributor. Northern issued a statement after the market closed rejecting the offer.

Active trading of the stock following news of the bid saw volume rise to a hefty 4.8m shares by the close. Last week's confirmation by Trafalgar that it was considering a bid for Northern meant yesterday's move was not a surprise, but dealers suggested: "This is only the opening shot for what will be a bitter battle."

More cautious observers such as Mr Nigel Hawkins at Hoare Govett suggested that the bid could be referred to the Monopolies and Mergers Commission.

However, the general view was that Trafalgar could eventually capture its prize but would have to "substantially" increase its current offer.

Mr Kevin Lapwood at Smith New Court said: "The tax benefits to Trafalgar added to the break-up value of Northern, which we believe to be 1125p, should see a take-out price of more than 1200p." The current offer from Trafalgar House values each Northern share at 1077p, with the cash alternative at 1048p.

Mr Adam Forsyth and Mr Richard Alderman at NatWest Securities said simply: "We view the Trafalgar bid for Northern as fairly priced but not high enough to win round the company's management. Without that support, persuading share holders to accept could be difficult."

The emergence of a "white knight" has not been ruled out, and several market participants continued to point to Scottish Power as a probable suitor. Shares in that group shed 5 to 332p on the talk. Trafalgar eased a penny to 73p.

A combination of a stock shortage, general recovery and reports of encouraging sales of video tapes and compact discs helped Kingfisher advance 15 to 429p, in trade of 3.2m.

There was a big seller of Storehouse which left the shares trailing 7 at 208p. Volume of 1.7m included a block of 700,000 that was dealt at 209p. The stock had until recently been one of the better performers in an otherwise dull retail sector.

Among food retailers, two-way business in Asda Group brought volume of 10m, making it the day's most actively traded stock in the Footsie. The shares added ½ at 64½p.

Negative press comment weakened drinks group Bass and the shares closed 11 cheaper at 516p. Worries about the growing "bootleg" beer market cast a shadow over brewing group Vaux. The shares gave up 6 at 220p.

Bid speculation boosted several stocks among the regional electricity companies. East Midlands, which brought the results season in the recs to a close with bumper figures, raced 41 ahead to 851p, while London put on 30 at 774p.

Hong Kong related stocks HSBC and Standard Chartered fell 3 to 687p and 4 to 278p following criticism in the financial press over the Far Eastern market's prospects.

Merchant bank S.G. Warburg lost more of its bid premium following a welter of comment in the weekend press. The bank also announced that it was losing one of its senior directors, Mr Peter Twatchmann, and some insiders were suggesting the change was linked to comments Mr Twatchmann had made about Warburg's fixed interest division – thus highlighting the group's internal strife. The shares fell 28 to 685p. Some investors were switching into Kleinwort Benson, up 12 at 535p.

Pharmaceuticals group Huntingdon International leapt 10 to 30p after announcing a new chairman, Mr Roger Pinnington.

Reckitt & Colman rose 8 to 593p after its proposed acquisition of LK&F Household was approved by shareholders.

Wellcome fell 7 to 678p, with dealers suggesting that investors had been switching funds into Glaxo, which was held back on Friday by some negative sentiment. Glaxo shares moved forward 13¼ to 639½p.

Fisons was restrained, but news that it had ended its US marketing agreement with Rhône Poulenc came too late to hit the shares significantly and they finished unchanged at 114p.

However, one analyst said the news essentially marked the end of the US prospects for Tilade, the asthma treatment and Fisons most important drug.

Oil major BP was one of the most heavily traded stocks as a rise of 3½ to 425p, against 375p ex-dividend for BT, ensured a change of leadership at the top of the FT-SE 100 league table and consolidated the oil group's rehabilitation in the eyes of investors.

Pict Petroleum rose 14 to 155p after the company became the latest to join the increasingly popular bid club. The oil group issued a statement saying its 48.3 per cent shareholder Amerada Hess was in talks with Premier Consolidated Oilfields that could lead to a bid for all of Pict's share capital. Shares of Premier rose 1½ to 23p.

Saatchi & Saatchi dipped 3 to 151p following consideration of the implications of the management upheavals.

US press comment sent Cable and Wireless rattling ahead in 5.9m turnover, with the stock market beginning to scent the possibility of some sort of hive-off. The shares climbed 7 to 368½p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (35).
BUILDING & CNSTRN (2) Andrews Sykes, Brandon Hire, DISTRIBUTORS (2) Adam & Harvey, Finelist Group, ELECTRICITY (6) London, Manweb, Northern, Seeboard, South Wales, South Western, ELECTRNC & ELECT EQUIP (1) Telspec, INVESTMENT TRUSTS (2) Brazilian, Yeoman Cap., LEISURE & HOTELS (3) Inspirations, London Clubs, VCI, LIFE ASSURANCE (1) Liberty Life Assoc of Africa, OIL EXPLORATION & PROD (3) Aran Energy, Crusader, Fairhaven Intl., OTHER FINANCIAL (3) BZW End Fd, Intl. Inv Tst. Jersey, Jupiter Tyndall, OTHER SERVS & BUSNS (1) Black Arrow, PHARMACEUTICALS (2) SmithKline Beecham Equity Units, Zeneca, PRTNG, PAPER & PACKG (3) Portals, Sapp, Tinsley Robor, PROPERTY (1) South Country Homes, SUPPORT SERVS (2) Logica, MITIE.

NEW LOWS (75).
GILTS (1) Exchequer 13¼pc Ln. 1996, BREWERIES (4) Fuller S.T.A., Morland, Vaux, Young Brew N-Vtg, BUILDING & CNSTRN (1) Britannia, BLDG MATLS & MCHTS (6) Anglian, Bardon, Heath (S), Norcros, Caligom, Ruberoid, DISTRIBUTORS (2) ABI Leisure, Quicks, DIVERSIFIED INDLS (1) Staveley Inds., ELECTRNC & ELECT EQUIP (3) CML Micro, TDS Circuits, Volex, ENGINEERING (3) Molins, Rotaprint, SKF, ENG. VEHICLES (1) Avon Rubber, FOOD MANUF (1) J.J., HEALTH CARE (2) Isotron, Specialeyes, HOUSEHOLD GOODS (2) Airsprung Furniture, Creighton Naturally, INVESTMENT TRUSTS (17) LEISURE & HOTELS (2) Barr & WAT A, Granada Cv. Pf., MEDIA (7) Barbour Index, Gold Greenlees Trott, News Intl. Special Div., Sterling Publishing, Tele-Cine Cell, VTR, WMGO, OTHER FINANCIAL (4) Clayhithe 9¼pc Ln 2000-1, Hambro Ins Service, King & Shaxson, Oceana Cons., PRTNG, PAPER & PACKG (1) Britton, PROPERTY (5) Anglo St. James, Birdey, Daejan, Savills, Stanhope Props., RETAILERS, FOOD (1) Nurdin & Peacock, RETAILERS, GENERAL (1) Fine Art Devlps., SUPPORT SERVS (4) Chubb Security, ISS-Int Serv Sys B, Misys, Stat-Plus, TEXTILES & APPAREL (3) Alexandra Workwear, Beckman (A), Faupel Trading, WATER (1) Dee Valley, CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

In trading volumes which displayed end of year thinness, stock index futures moved ahead briskly, opening up a wide premium to the cash market, *writes Jeffrey Brown.*

The FT-SE 100 March contract was standing at 3,062 at the close of pit trading, up 20 points for a 69-point advance over the past two trading days.

At the official close the premium to the cash market was 28 points, but at times, notably during the morning session, this widened to more than 30 points.

As a result a certain amount of arbitrage business went through, although underlying turnover remained modest. The day saw just 9,216 lots traded.

Turnover stayed weak during late, screen-based trading, but with Wall Street showing clear signs of weakness the March contract sagged to 3,059, at which level it was a couple of points above fair value.

The thinness of the market was also reflected in stock option trading, where lot numbers tailed away to 26,292, from 44,805 on Friday. Calls outstripped puts by nearly two-to-one. FT-SE and Euro FT-SE business accounted for around 11,500 contracts.

The most actively traded individual stock option was Abbey National, with 2,134 lots dealt. Cable and Wireless, Welcome and British Gas were also well traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3048.0	3063.0	+20.0	3085.0	3048.0	9932	55308
Jun	-	3074.0	+21.0	-	-	0	2916

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3480.0	3475.0	30.0	3480.0	3475.0	42	3896
Jun			0			0	0

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	3470.0	-	-	-	-	-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3034) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Jan	218	11½	175½	18	134	29½	99	45	68	67	43	94½	26	129	15	169½
Feb	238½	24½	199	35	163	50	129½	67½	99½	88½	73½	113½	62½	143	36½	179½
Mar	249½	38	213½	52	177	66	146½	86	117½	107½	93½	134	73	164	55	197½
Apr	257	48½	222	62	189	77½	161	101	134	121½	111½	149	93½	179½	72½	216
Jun†			248	80			188½	118½			135½	167			92	224

Calls 4,635 Puts 1,768

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	191	14	149	21½	112½	35	81	53	55	74½	35½	117	19½	141	12	183
Feb	215	28	177	39½	142½	54½	111½	73	85	96	63	123	65	155	31	190½
Mar	227½	42	191½	55½	158½	72	129	91½	103	115	88½	141½	61½	172	46	205½
Jun			236½	92			177	129½			127	176½			87	233
Sept†			272	107			214½	144½			164	190			122	243½

Calls 2,297 Puts 2,295 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3350	3400	3450		3500		3550		3600	3650	3700
Jan			76½	11	38	27¼	17	58			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i	421	329	+¾
ASDA Group†	9,800	64½	+½
Abbey National†	1,600	419	+1
Albert Fisher	844	46	+1
Allied Domecq†	1,800	580	+7½
Anglian Water	350	498	-3
Argos	95	342	+6
Argyll Group†	3,900	252	
Arjo Wiggins†	1,800	241	+2
Assoc. Brit. Foods†	660	560	-3
Assoc. Brit. Ports	639	275	+4
BAA†	2,000	475	+8
BAT Inds.†	4,000	438	+5
BET	863	104½	+½
BICC	469	336	+1
BOC†	472	713	+8
BP†	9,400	425	+3½
BPB Inds.	4,000	284	+2
BT†	7,800	376	+6
BTR†	4,100	283½	+3
Bank of Scotland†	1,800	209½	+2½
Barclays†	5,400	609	+4½
Bass†	2,100	516	[illegible]
Blue Circle†	2,600	278	+6
Booker	14	402	
Boots†	946	485½	+1½
Bowater†	741	423	+3
Brit. Aerospace†	1,100	430	+1½
British Airways†	2,200	369	-1
British Gas†	7,400	308	-1½
British Land	2,000	354	+8
British Steel†	4,300	157	+½
Bunzl	2,800	170	+2
Burmah Castrol†	220	794	+3
Burton	3,300	67½	+1
Cable & Wire†	8,200	368½	+7
Cadbury Schweppes†	1,700	407½	+7½
Caradon†	1,900	258	+4
Carlton Comms.†	1,300	875	+16
Coats Viyella	1,400	182	
Comm. Union†	425	534	+7
Cookson	1,000	237	-2
Courtaulds†	729	442	-1½
Dalgety	592	419	+1
De La Rue†	358	956	+1
Dixons	904	178	-1½
Eastern Elect.†	1,700	784	+17
East Midland Elect.	1,200	851	+41
Electrocomps	826	474	+8
Eng China Clays	137	340	
Enterprise Oil†	243	387	+3
Eurotunnel Units	1,000	278	+3
FKI	2,800	151	
Fisons	1,400	114	
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

FT - SE Actuaries Share Indices — The UK Series

	Dec 19	Day's chge%	Dec 16	Dec 15	Dec 14	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3034.4	+0.7	3013.6	2973.4	2960.6	3364.9	4.24	7.33	16.10	129.80	1158.53
FT-SE Mid 250	3460.0	+0.7	3437.1	3413.9	3405.6	3710.4	3.65	6.20	19.26	138.17	1302.88
FT-SE Mid 250 ex Inv Trusts	3461.0	+0.7	3436.3	3412.0	3405.0	3702.3	3.80	6.71	17.92	144.61	1301.34
FT-SE-A 350	1521.0	+0.7	1510.7	1492.8	1494.7	1674.2	4.11	7.07	16.74	64.02	1188.20
FT-SE SmallCap	1735.61	+0.3	1730.98	1730.81	1727.88	1812.02	3.50	5.04	25.21	56.21	1355.81
FT-SE SmallCap ex Inv Trusts	1704.45	+0.3	1699.77	1699.79	1697.06	1767.61	3.72	5.59	23.06	58.39	1335.96
FT-SE-A ALL-SHARE	1505.86	+0.7	1496.05	1479.60	1481.19	1652.32	4.06	6.93	17.15	62.38	1196.26

■ **FT-SE Actuaries All-Share**

	Dec 19	Day's chge%	Dec 16	Dec 15	Dec 14	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2668.46	+0.5	2652.26	2613.47	2618.21	2528.88	3.57	5.13	24.65	89.83	1078.50
12 Extractive Industries(4)	3726.20	-0.1	3730.13	3676.76	3700.64	3578.15	3.44	5.51	22.46	98.62	1028.22
15 Oil, Integrated(3)	2648.27	+0.7	2628.93	2580.38	2593.09	2485.96	3.68	5.68	21.94	96.44	1092.80
16 Oil Exploration & Prod(11)	1842.90	+0.7	1830.84	1803.45	1802.42	1800.06	2.86	‡	‡	38.03	1068.27
20 GEN MANUFACTURERS(267)	1813.14	+0.7	1800.19	1782.78	1783.21	1992.13	4.28	5.76	20.85	77.81	932.45
21 Building & Construction(33)	974.91	+1.5	960.93	946.46	941.84	1248.07	4.01	5.98	22.09	38.05	769.77
22 Building Matls & Merchs(32)	1753.60	+1.3	1730.90	1703.64	1702.83	2174.01	4.26	5.86	20.55	75.39	834.53
23 Chemicals(23)	2252.38	+0.5	2240.40	2223.44	2218.14	2245.37	4.19	4.78	26.04	96.25	1006.38
24 Diversified Industrials(16)	1723.35	+0.9	1708.42	1690.20	1695.20	2022.71	5.38	6.49	17.87	93.65	891.96
25–89 [illegible]											

■ Hourly movements [illegible]

■ FT-SE Actuaries 350 Industry baskets [illegible]

[illegible]

LONDON EQUITIES

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	6	16
Other Fixed Interest	0	0	14
Mineral Extraction	88	19	88
General Manufacturers	200	65	363
Consumer Goods	59	28	99
Services	126	60	305
Utilities	27	10	6
Financials	154	30	182
Investment Trusts	118	25	322
Others	42	33	46
Totals	882	276	1442

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	December 19	Expiry	March 23
Last Dealings	January 6	Settlement	April 6

Calls: Automated Sec (Pref), Ovoca Res, Porth Grp, Trencherwood. Puts: Ovoca Res. Puts & Calls: Porth Grp.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	79.4	152	145	Ashbourne	148		WN3.0	3.1	2.5	13.8
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
[illegible]							
25	Nil	16/1	4pm	¼pm	Usborne	¼pm	

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

	Dec 16	% chg on day	Dec 15	Dec 14	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index†(34)	1853.66	-1.1	1874.17	1885.48	2173.19	2.36	2367.40	1782.02
■ Regional Indices								
Africa (16)	2335.42	+0.9	2309.66	2344.23	3078.80	4.75	3711.87	2304.45
Australasia (7)	2328.99	-1.4	2361.65	2288.35	2586.31	2.23	3013.89	2171.66
North America (11)	1463.13	-2.2	1495.21	1513.56	1655.90	0.90	2039.85	1417.00

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Dec 19: 225.3 ; day's change +0.9 points; Year ago: 251.9 † Partial.
Please note: Supporting data for the FT Gold Mines Index is provided by the Mining Journal Ltd.
Latest prices were unavailable for this edition. Market closed 19/12/94: South Africa.

FINANCIAL TIMES EQUITY INDICES

	Dec 19	Dec 16	Dec 15	Dec 14	Dec 13	Yr ago	*High	*Low
Ordinary Share	2331.1	2314.3	2289.7	2292.6	2267.0	2516.9	2713.6	2240.6
Ord. div. yield	4.48	4.51	4.55	4.55	4.60	3.70	4.81	3.43
Earn. yld. % full	6.56	6.61	6.67	6.67	6.75	4.19	6.75	3.82
P/E ratio net	17.58	17.47	17.29	17.31	17.11	30.09	33.43	16.94
P/E ratio nil	17.15	17.03	16.87	16.89	16.69	27.90	30.80	16.67

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2324.4	2325.9	2338.4	2338.1	2338.6	2337.2	2333.8	2328.7	2331.0	2338.8	2324.1

	Dec 19	Dec 16	Dec 15	Dec 14	Dec 13	Yr ago
SEAQ bargains	21,210	20,861	19,370	19,830	18,267	37,784
Equity turnover (£m)†	-	1541.1	1194.6	1576.3	1599.3	1539.1
Equity bargains†	-	26,823	25,200	27,758	26,898	42,082
Shares traded (ml)†	-	588.7	518.5	699.4	682.1	710.8

†Excluding intra-market business and overseas turnover.

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LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅞	+⅛	£25⅜	£19⅝	6,754	5.0	♦
ANZ A$		203	+1	278¼	171	2,701	6.1	♦
Abbey National	†N□	419	+1	523	380½	5,487	4.8	14.1
Allied Irish I£	♣†N□	255	+3	314	235	1,989	4.9	9.8
Anglo Irish I£	N□	54xd	—	70	50	105.8	8.2	♦
Asahi Y	□	729	+10¼	919¼	635	16,927	0.6	♦
Banco Bil Viz Pta	□	£16⅜	-⅛	217	214	3,772	5.1	7.3
Banco Sant Pta		£24⅞	—	*£39½	£23¾	3,721	5.8	8.6
Bk Ireland I£	†N□	286xd	+1	*319	246	1,346	5.0	8.3
Bank Scotland	♣†N□	208½xd	+2½	247	172½	2,447	3.2	11.8
9¼pc Pf		117¼	—	141½	108	117.2	8.9	—
9¾pc Pf		123	—	149½	111¼	123.0	8.9	—
Barclays	♣†N□	606	+4½	640	487	9,926	3.4	18.8
Dai Ichi Kan Y	□	£11⅝	+⅛	£22¾	£10⅞	36,917	0.5	—
Deutsche DM	□	£293⅞	+⅜	£344¾	£270⅞	13,880	2.3	—
Espirito Santo	□	£8⅞	—	*£13⅜	£7¾	174.7	4.7	4.1
First Nat Fin	N□	68	—	*90	59	98.6	3.2	—
6.3pc Cv Pf		68xd	—	*90	68	4.57	11.6	—
7pc Cv Pf		111xd	—	171	110	82.7	7.9	—
Fuji Bank Y	□	1368½	+1½	1546¼	1162½	39,859	0.4	♦
HSBC HK	†N□	687	-3	1139	684	12,661	4.5	9.9
HSBC (75p Shs)	†N□	686	-1½	1113	680	5,947	4.4	10.1
Irish Permanent	N□	225	—	225	205	171.3	6.3	7.8
Lloyds	†N□	558	+3	680	519	7,237	5.2	11.0
Mitsubishi Y	□	£15⅞	+⅛	£18⅞	£13⅞	48,945	0.4	♦
Mits Tst & Bk Y	□	940	+30¼	1182¼	687½	11,265	0.5	14.8
Mitsui Tst & Bk Y	□	642¼	-2½	879	514	7,701	0.8	21.5
Nat Aust A$		549	—	620¼	472	7,385	6.7	♦
NatWest	†N□	510	+6	622	421	8,748	4.8	8.5
Oibanque FFr		£21½	—	£33	£21	107.5	6.9	♦
Ryl Bk Scotland	♣♦N□	409xd	+6	526	377½	3,276	4.2	9.9
Sakura Y	□	£8½	—	£9⅞	£8⅛	28,142	0.6	52.1
Sanwa Y	□	£12⅛	—	£15⅞	£11⅞	36,174	0.5	—
Standard Chartd	†N□	278	-4	*366¼	223	2,879	2.9	9.5
7 3/8pc Prf		94	-½	108½	82¼	84.0	9.8	—
Sumitomo Y	□	£11⅛	+⅛	£16¼	£10⅞	38,958	0.5	—
Sumitomo Tst Y	□	857	+9	1146½	625	10,089	0.6	♦
TSB	†N□	238	+1½	291	187	3,643	4.2	12.0
Tokai Y	□	£7⅛	[illegible]	99	[illegible]	15,587	0.8	47.8
Toyo Tst & Bk Y	□	689¼	+¾	862	596¼	5,177	0.8	57.8
Westpac A$		213¼	-7½	280	194	3,881	2.6	♦
Yasuda Tst Bk Y	□	489¼	-1	686	442	5,397	1.0	42.9

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.		£34	----	£34	£13½	2,217	2.2	24.9
Barlow	♣	£5¼xd	----	£5⅞	£3⅝	1,086	1.9	♦
Gold Flds Prop R.		118xa	----	128	75	12.1	7.9	♦
MK Props.		95	----	95	85	3.82	12.7	-
SASOL	♥	492	----	582	380	2,837	2.9	-
SA Brews	†	£14¾xd	----	£16⅝	£10	4,041	2.0	22.5
Tiger Oats		763xd	----	838	538	1,147	2.0	17.8
Tongaat-Hulett	††	725	----	•725	358¼	680.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☼ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

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OFFSHORE AND OVERSEAS

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GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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Mike Moore / TODAY Newspaper

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CURRENCIES AND MONEY

MARKETS REPORT

Political worries push Italian lira to record low

Continuing political turmoil in Italy yesterday drove the lira to fresh lows on the foreign exchanges, *writes Philip Gawith.*

The lira fell to a fresh low of L1,047.90 against the D-Mark in European trading, but the market was unable to sustain this move. It recovered to close in London at L1,046.

Aside from the lira, where analysts anyway reported more talk than action, it was a case of "pre-Christmas" trading – the euphemism for long lunches and little business.

Insofar as traders were able to raise their heads from the Christmas pudding, there was little incentive to trade ahead of today's meeting of the Federal Open Markets Committee in Washington.

Expectations that the FOMC might sanction higher rates have receded recently, but not disappeared.

Sterling traded in a very narrow range of about ½ pfennig against the D-Mark, and 0.3 cents against the dollar. The trade weighted index was unchanged at 80.4 all day. The pound finished at DM2.4571, from DM2.4561, and at $1.5613 from $1.563.

The dollar itself had a very quiet day ahead of the FOMC, finishing at DM1.5738, from DM1.5714, and Y100.155 from Y100.15.

■ The catalyst for further lira weakness was the heightened efforts from the Northern League, coalition partner of Mr Silvio Berlusconi, the prime minister, to topple the government in a no confidence vote later this week.

There is now a widespread expectation that the lira will weaken to L1,050 before it recovers. Although politics is the current focus, failure to tackle structural problems in the budget, including rising debt servicing costs, also provide economic reasons for currency weakness.

Mr David Cocker, economist at Chemical Bank in London, commented: "Normally at this stage of a political crisis in Italy you might look for the currency to strengthen. People begin to emphasise positive elements of the new stage that is about to begin."

On this occasion, however, the problem lies in trying to assess the likely shape, and efficacy, of any future coalition, should the government fall.

Mr Brian Durrant, economist at brokers GNI, said: "It looks as if the foreign exchanges have fully discounted this political chaos...Lira bears may find it better to travel than arrive as far as the confidence vote is concerned."

■ All eyes will be on the Fed today. While some benign recent price data have allowed markets to relax, there is still room for the Fed to take a different view. This is based on evidence of strong credit growth, and buoyant retail and auto sales.

Consumer credit outstanding rose by $11.6bn in October (up nearly 16 per cent, year on year) and has been rising without interruption for two years.

Some observers have cited two other possible reasons why the Fed might stand firm: the possibility that further tightening could, in the wake of the Orange County episode, cause systemic municipal default; and that it might precipitate a stock-market crash.

These arguments are dismissed by Mr Neil MacKinnon, chief economist at Citibank in London, as "far from compelling". He says: "It would be imprudent to alter policy in order to bolster unsustainable bond market positions." He argues that the Fed might also welcome a stock-market reversal that had a dampening effect on the recovery.

Mr Cocker said the odds against a rate rise were probably 65:35. He said the Fed was in a difficult position. Although there were few signs of inflation, economic growth was clearly buoyant.

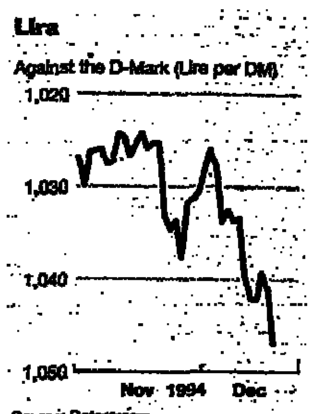
Mr Mark Geddes, treasury strategist at Midland Global Markets, commented: "Given the November tightening in policy was the most aggressive since 1981, plus the short period since the last FOMC meet, the US authorities are likely to want more time to determine the effectiveness of the 250 basis points tightening in rates so far this year."

Mr Cocker said the dollar had limited downside if rates did not rise. Given the prevailing positive sentiment, the market would simply reason that rates would rise at the next FOMC meeting.

■ The Bank of England cleared a £550m shortage in its daily money market operations, mostly through late assistance.

Lira

Against the D-Mark (Lire per DM)



Source: Datastream

■ Pound in New York

Dec 19	—Latest—	– Prev. close –
£ spot	1.5610	1.5605
1 mth	1.5607	1.5602
3 mth	1.5609	1.5603
1 yr	1.5595	1.5593

■ OTHER CURRENCIES

Dec 19	£	$
Hungary	178.377 - 178.580	112.698 - 113.090
Iran	2729.00 - 2732.00	1748.80 - 1750.00
Kuwait	0.4660 - 0.4662	0.2986 - 0.3005
Poland	37888.3 - 37913.2	24280.0 - 24290.0
Russia	5336.74 - 5338.66	3417.58 - 3418.59
U.A.E.	5.7338 - 5.7352	3.6727 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3002	+0.0095	935 - 069	17.3069	17.2623	17.2864	1.0	17.2458	1.3	-	-	115.4
Belgium	(BFr)	50.5400	+0.0707	264 - 536	50.5690	50.4040	50.565	-0.6	50.435	0.8	49.875	1.3	117.0
Denmark	(DKr)	9.6415	+0.011	376 - 454	9.6467	9.6259	9.6382	0.4	9.6457	-0.2	9.6122	0.3	116.6
Finland	(FM)	7.6150	+0.0125	060 - 240	7.6240	7.5990	-	-	-	-	-	-	87.6
France	(FFr)	8.4733	+0.0096	711 - 754	8.4836	8.4595	8.47	0.5	8.467	0.3	8.4209	0.6	109.6
Germany	(DM)	2.4571	+0.001	559 - 583	2.4604	2.4544	2.456	0.6	2.452	0.8	2.4176	1.6	126.3
Greece	(Dr)	379.720	+0.239	620 - 819	380.025	379.319	-	-	-	-	-	-	-
Ireland	(I£)	1.0160	-0.0004	152 - 168	1.0172	1.0147	1.0162	-0.2	1.0152	0.3	1.0141	0.2	105.2
Italy	(L)	2571.38	+14.31	019 - 257	2573.52	2556.88	2577.88	-3.0	2590.03	-2.9	2641.93	-2.7	72.7
Luxembourg	(LFr)	50.5400	+0.0707	264 - 536	50.5690	50.4040	50.565	-0.6	50.435	0.8	49.875	1.3	117.0
Netherlands	(Fl)	2.7505	+0.0019	497 - 512	2.7536	2.7461	2.7489	0.7	2.7452	0.8	2.7097	1.5	121.0
Norway	(NKr)	10.7009	-0.0136	968 - 049	10.7328	10.6929	10.7012	0.0	10.6998	0.0	10.6909	0.1	96.0
Portugal	(Es)	252.267	+0.233	148 - 385	252.390	251.657	253.087	-3.9	254.562	-3.6	-	-	-
Spain	(Pta)	206.530	+0.3	458 - 602	206.711	206.098	206.885	-2.1	207.545	-2.0	210.27	-1.8	85.0
Sweden	(SKr)	11.7915	+0.0107	837 - 992	11.8132	11.7565	11.8085	-1.7	11.841	-1.7	11.96	-1.4	75.4
Switzerland	(SFr)	2.0814	+0.0052	805 - 823	2.0857	2.0804	2.0773	2.4	2.0706	2.0	2.0252	2.7	120.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.2893	+0.0009	888 - 897	1.2900	1.2878	1.2891	0.1	1.289	0.1	1.2837	0.4	-
SDR†	-	0.928836	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5587	-0.0017	583 - 590	1.5590	1.5545	-	-	-	-	-	-	-
Brazil	(R)	1.3232	-0.0014	222 - 242	1.3242	1.3202	-	-	-	-	-	-	-
Canada	(C$)	2.1737	+0.0045	729 - 744	2.1744	2.1690	2.1742	-0.2	2.1752	-0.3	2.1849	-0.5	85.3
Mexico	(New Peso)	5.4093	-0.0018	061 - 125	5.4125	5.3971	-	-	-	-	-	-	-
USA	($)	1.5613	-0.0017	610 - 615	1.5615	1.5576	1.5615	-0.2	1.5615	0.0	1.5596	0.1	63.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0074	-0.008	064 - 084	2.0137	2.0064	2.0093	-1.1	2.0137	-1.3	2.0431	-1.8	-
Hong Kong	(HK$)	12.0803	-0.0142	778 - 827	12.0827	12.0535	12.0283	5.4	12.0258	1.8	12.0408	0.3	-
India	(Rs)	49.0311	-0.0041	154 - 467	49.0467	48.9240	-	-	-	-	-	-	-
Japan	(Y)	156.367	-0.168	303 - 431	156.590	156.250	155.827	4.1	154.772	4.1	148.707	4.9	188.9
Malaysia	(M$)	4.0063	-0.0017	052 - 073	4.0073	3.9976	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4383	-0.0072	360 - 406	2.4425	2.4357	2.4446	-3.1	2.4568	-3.0	2.4948	-2.3	-
Philippines	(Peso)	37.5949	-0.0422	108 - 790	37.7300	37.5108	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8556	-0.0062	542 - 569	5.8569	5.8421	-	-	-	-	-	-	-
Singapore	(S$)	2.2895	-0.0006	886 - 904	2.2904	2.2850	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5499	-0.032	478 - 519	5.5737	5.5422	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.2528	-0.054	362 - 694	6.3004	6.2362	-	-	-	-	-	-	-
South Korea	(Won)	1237.14	-3.34	678 - 749	1238.17	1234.40	-	-	-	-	-	-	-
Taiwan	(T$)	41.2592	-0.0193	494 - 689	41.2689	41.1658	-	-	-	-	-	-	-
Thailand	(Bt)	39.2319	-0.0229	201 - 436	39.2438	39.1460	-	-	-	-	-	-	-

†SDR rates for Dec 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0810	+0.0186	785 - 835	11.0960	11.0785	11.0735	0.8	11.057	0.9	10.9695	1.1	104.5
Belgium	(BFr)	32.3715	+0.0615	680 - 750	32.4200	32.3130	32.3565	0.6	32.3065	0.8	31.9715	1.2	106.1
Denmark	(DKr)	6.1755	+0.014	740 - 770	6.1857	6.1689	6.1767	-0.2	6.1785	-0.1	6.163	0.2	105.2
Finland	(FM)	4.8775	+0.0135	725 - 825	4.8962	4.8696	4.8753	0.6	4.872	0.5	4.855	0.5	82.0
France	(FFr)	5.4272	+0.0122	267 - 277	5.4425	5.4245	5.4254	0.4	5.4224	0.4	5.3892	0.7	105.8
Germany	(D)	1.5738	+0.0024	733 - 743	1.5780	1.5733	1.5732	0.5	1.5709	0.7	1.5505	1.5	107.1
Greece	(Dr)	243.215	+0.425	190 - 240	243.700	243.190	245.715	-12.3	250.665	-12.3	267.965	-10.2	68.3
Ireland	(I£)	1.5367	-0.0012	357 - 377	1.5377	1.5328	1.5372	-0.4	1.5372	-0.1	1.5376	-0.1	-
Italy	(L)	1647.00	+11	650 - 750	1650.75	1641.50	1650.75	-2.7	1658	-2.7	1690	-2.6	73.4
Luxembourg	(LFr)	32.3715	+0.0615	680 - 750	32.4200	32.3130	32.3565	0.6	32.3065	0.8	31.9715	1.2	106.2
Netherlands	(Fl)	1.7617	+0.0032	615 - 619	1.7658	1.7615	1.7609	0.6	1.7584	0.7	1.7365	1.4	105.7
Norway	(NKr)	6.8540	-0.001	525 - 555	6.8819	6.8525	6.8542	0.0	6.8565	-0.1	6.794	0.9	96.2
Portugal	(Es)	161.580	+0.33	530 - 630	161.830	161.350	162.205	-4.6	163.33	-4.3	167.33	-3.6	94.9
Spain	(Pta)	132.285	+0.34	260 - 310	132.550	132.090	132.52	-2.1	132.96	-2.0	134.785	-1.9	80.2
Sweden	(SKr)	7.5526	+0.0153	488 - 563	7.5755	7.5330	7.5639	-1.8	7.5851	-1.7	7.6676	-1.5	80.6
Switzerland	(SFr)	1.3332	+0.0049	328 - 335	1.3375	1.3328	1.3309	2.0	1.3267	2.0	1.2989	2.6	108.5
UK	(£)	1.5613	-0.0017	610 - 615	1.5615	1.5576	1.5615	-0.2	1.5615	0.0	1.5596	0.1	88.9
Ecu	-	1.2110	-0.0022	107 - 112	1.2112	1.2086	1.2108	0.2	1.2111	0.0	1.2175	-0.5	-
SDR†	-	1.45205	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9984	-	983 - 984	0.9985	0.9980	-	-	-	-	-	-	-
Brazil	(R)	0.8475	-	470 - 480	0.8480	0.8470	-	-	-	-	-	-	-
Canada	(C$)	1.3923	+0.0044	920 - 925	1.3928	1.3908	1.3925	-0.1	1.3943	-0.6	1.4033	-0.8	82.1
Mexico	(New Peso)	3.4647	+0.0027	632 - 662	3.4662	3.4632	3.4657	-0.3	3.4675	-0.3	3.4749	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.2858	-0.0036	853 - 862	1.2863	1.2853	1.2866	-0.7	1.2884	-0.8	1.3011	-1.2	91.9
Hong Kong	(HK$)	7.7376	-0.0004	372 - 379	7.7392	7.7372	7.7355	0.3	7.7343	0.2	7.7421	-0.1	-
India	(Rs)	31.4050	+0.0325	000 - 100	31.4200	31.3725	31.475	-2.7	31.62	-2.7	-	-	-
Japan	(Y)	100.155	+0.005	130 - 180	100.400	100.130	99.835	3.8	99.165	4.0	95.57	4.6	149.0
Malaysia	(M$)	2.5661	+0.0018	658 - 663	2.5663	2.5645	2.563	1.4	2.5566	1.2	2.5866	-0.8	-
New Zealand	(NZ$)	1.5618	-0.0028	605 - 630	1.5630	1.5596	1.5626	-0.7	1.5652	-0.9	1.5742	-0.8	-
Philippines	(Peso)	24.0800	-	300 - 300	24.3500	23.8500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0002	503 - 508	3.7508	3.7503	3.7542	-1.1	3.7611	-1.1	3.7758	-0.7	-
Singapore	(S$)	1.4665	+0.0013	661 - 668	1.4668	1.4648	1.4649	1.3	1.4615	1.4	1.445	1.5	-
S Africa (Com.)	(R)	3.5548	-0.0165	540 - 555	3.5745	3.5540	3.5703	-5.2	3.6024	-5.4	3.7673	-6.0	-
S Africa (Fin.)	(R)	4.0050	-0.03	950 - 150	4.0400	3.9950	4.033	-8.4	4.0775	-7.2	4.315	-7.7	-
South Korea	(Won)	792.400	-1.25	300 - 500	793.700	792.300	795.4	-4.5	798.9	-3.3	817.4	-3.2	-
Taiwan	(T$)	26.4270	+0.0172	250 - 290	26.4310	26.4250	26.447	-0.9	26.487	-0.9	-	-	-
Thailand	(Bt)	25.1285	+0.0135	250 - 320	25.1320	25.1220	25.158	-1.4	25.248	-1.9	25.6535	-2.1	-

†SDR rate for Dec 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 16. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
			5¾	5¾	6¼	7.40	4.60	-
Belgium	5¼	5½	5¾	5⅞	6⅛	7.40	4.60	-
week ago	4⅞	5½	5⅞	6⅛	6⅜	5.00	-	6.75
France	5⅞	5⅝	6	6⅛	6⅝	5.00	-	6.75
week ago	5⅞	5⅝	5⅞	6⅛	6⅝	6.00	4.50	4.85
Germany	4.90	5.48	5.40	5.50	5.83	6.00	4.50	4.85
week ago	5.06	5.45	5.30	5.43	5.75	-	-	6.25
Ireland	5⅞	5⅞	6⅛	6⅜	7⅛	-	-	6.25
week ago	5⅞	5⅞	5⅞	6⅝	7⅛	-	7.50	8.80
Italy	8⅞	8⅝	9⅛	9⅝	20⅝	-	7.50	8.80
week ago	8⅞	8⅝	9	9⅛	10⅛	-	6.80	-
Netherlands	4.84	5.46	5.50	5.61	5.95	-	5.25	-
week ago	4.84	5.48	5.46	5.61	5.98	6.625	3.50	-
Switzerland	3	3⅝	4⅛	4⅛	4⅞	6.625	3.50	-
week ago	3⅞	3⅝	4⅛	4⅛	4⅞	-	4.75	-
US	5½	5½	6⅛	6⅜	7⅛	-	4.75	-
week ago	5½	5½	6⅛	6⅜	7⅛	-	1.75	-
Japan	2¾	2⅛	2⅛	2⅛	2⅞	-	1.75	-
week ago	2⅝	2⅛	2⅛	2⅛	3⅛	-	-	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	6⅝	6⅞	7⅛	-	-	-
week ago	-	5⅝	6⅛	6⅝	7⅛	-	-	-
US Dollar CDs	-	5.60	6.00	6.55	7.31	-	-	-
week ago	-	5.60	6.05	6.57	7.28	-	-	-
SDR Linked Ds	-	4⅝	4⅞	5⅛	5⅜	-	-	-
week ago	-	4⅝	4⅞	5⅛	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5⅝; 6 mths: 6; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅞ - 5¾	6⅛ - 5¾	5⅞ - 5¾	5½ - 5⅜	5¾ - 5⅝	6⅝ - [illegible]
Danish Krone	5¼ - 5	5⅜ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - [illegible]
D-Mark	5⅛ - 4⅞	5⅛ - 4⅞	5⅞ - 5⅝	5⅞ - 5⅜	5⅝ - 5⅝	5⅞ - [illegible]
Dutch Guilder	5¼ - 5⅛	5⅛ - 5⅛	5⅝ - 5½	5⅝ - 5½	6¼ - 5⅞	6⅛ - [illegible]
French Franc	5⅞ - 5¾	5⅞ - 5⅝	5⅞ - 5½	6⅛ - 5⅞	6⅛ - 6⅛	6⅝ - [illegible]
Portuguese Esc.	8¾ - 8½	9⅛ - 8⅞	10⅛ - 10⅛	11 - 10⅞	11⅛ - 10⅞	11⅝ - [illegible]
Spanish Peseta	7⅞ - 7⅞	7⅞ - 7⅞	8⅛ - 7⅞	8⅛ - 8⅛	8⅞ - 8⅞	9⅛ - [illegible]
Sterling	6¼ - 6	5⅞ - 5⅞	6 - 5⅞	6⅛ - 6¼	7 - 6⅞	7⅛ - [illegible]
Swiss Franc	3¼ - 3⅛	3⅞ - 3¼	4 - 3⅞	4⅛ - 4⅛	4⅛ - 4⅛	4⅞ - [illegible]
Can. Dollar	5⅞ - 5¼	6⅛ - 5⅞	6 - 5⅞	6⅞ - 6¼	7⅛ - 7⅛	8⅛ - [illegible]
US Dollar	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6	6⅛ - 6¼	6⅞ - 6¾	7⅞ - [illegible]
Italian Lira	9 - 7½	8⅛ - 8¼	8¾ - 8⅝	9⅛ - 9	9¾ - 9⅝	10⅛ - [illegible]
Yen	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅞ - 2⅞	2⅞ - [illegible]
Asian $Sing	3⅞ - 3⅝	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅞ - 4⅛	4⅞ - [illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.00	94.00	+0.01	94.01	94.00	4,741	[illegible]
Mar	93.50	93.43	-0.07	93.52	93.38	19,676	51,[illegible]
Jun	93.12	93.05	-0.08	93.13	93.01	6,595	[illegible]
Sep	92.86	92.81	-0.08	92.90	92.78	4,234	27,[illegible]

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.65	93.63	-0.03	93.65	93.65	93	[illegible]
Mar	-	92.81	+0.01	-	-	6	[illegible]
Jun	-	92.22	+0.04	-	-	0	[illegible]
Sep	-	91.91	+0.01	-	-	0	177

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.53	94.50	-0.03	94.53	94.49	7119	109476
Mar	94.42	94.38	-0.05	94.44	94.34	[illegible]	[illegible]
Jun	94.10	94.04	-0.04	94.10	94.01	14236	188761
Sep	93.79	93.70	-0.06	93.79	93.68	7660	85470

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.86	90.84	-0.05	90.89	90.76	2166	15770
Mar	89.86	89.75	-0.20	89.86	89.70	9467	32701
Jun	89.50	89.35	-0.20	89.50	89.31	3581	18798
Sep	89.12	89.13	-0.21	89.23	89.11	2096	20976

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.70	95.73	+0.02	95.73	95.70	3497	10469
Mar	95.42	95.41	-	95.42	95.37	4578	16050
Jun	95.14	95.09	-0.02	95.15	95.07	595	7665
Sep	94.86	94.88	-0.02	94.88	94.85	125	4027

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.66	93.63	-0.04	93.67	93.63	732	6720
Mar	93.32	93.33	-0.05	93.39	93.32	1521	8741
Jun	92.98	92.94	-0.07	92.98	92.94	299	4796
Sep	92.57	92.56	-0.07	92.60	92.57	80	2749

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.76	4.861	2.010	5087	5.443	21.17	499.2	408.6	23.33	4.118	1.979	4.302	3.089	309.5	2.550
Denmark	(DKr)	52.42	10	8.788	2.548	1.054	2666	2.853	11.10	261.7	214.2	12.23	2.158	1.037	2.255	1.619	162.2	1.337
France	(FFr)	59.65	11.38	10	2.900	1.199	3034	3.247	12.63	297.8	243.7	13.91	2.456	1.180	2.566	1.842	184.6	1.521
Germany	(DM)	20.57	3.924	3.449	1	0.414	1046	1.120	4.355	102.7	84.05	4.799	0.847	0.407	0.885	0.635	63.65	0.525
Ireland	(I£)	49.74	9.490	8.340	2.418	1	2531	2.708	10.53	248.3	203.2	11.60	2.048	0.984	2.140	1.536	153.9	1.269
Italy	(L)	1.966	0.375	0.330	0.096	0.040	100.	0.107	0.416	9.813	8.032	0.459	0.081	0.039	0.085	0.061	6.083	0.050
Netherlands	(Fl)	18.37	3.505	3.080	0.893	0.369	934.6	1	3.889	91.71	75.06	4.286	0.756	0.364	0.790	0.567	56.85	0.469
Norway	(NKr)	47.23	9.011	7.919	2.296	0.950	2403	2.571	10	235.8	193.0	11.02	1.945	0.935	2.032	1.459	146.2	1.205
Portugal	(Es)	20.03	3.822	3.358	0.974	0.403	1019	1.090	4.241	100.	81.85	4.673	0.825	0.396	0.862	0.619	61.99	0.511
Spain	(Pta)	24.47	4.669	4.103	1.190	0.492	1245	1.332	5.182	122.2	100.	5.709	1.008	0.484	1.053	0.756	75.74	0.624
Sweden	(SKr)	42.87	8.178	7.187	2.084	0.862	2181	2.333	9.075	214.0	175.1	10	1.765	0.848	1.844	1.324	132.7	1.093
Switzerland	(SFr)	24.29	4.633	4.072	1.181	0.488	1235	1.322	5.142	121.2	99.23	5.666	1	0.481	1.045	0.750	75.16	0.619
UK	(£)	50.54	9.642	8.473	2.457	1.016	2571	2.751	10.70	252.3	206.5	11.79	2.081	1	2.174	1.561	156.4	1.289
Canada	(C$)	23.25	4.435	3.897	1.130	0.467	1183	1.265	4.922	116.1	94.99	5.423	0.957	0.460	1	0.718	71.94	0.593
US	($)	32.38	6.177	5.428	1.574	0.651	1647	1.762	6.855	161.6	132.3	7.553	1.333	0.641	1.393	1	100.2	0.826
Japan	(Y)	32.31	6.165	5.418	1.571	0.650	1644	1.759	6.841	161.3	132.0	7.538	1.331	0.639	1.390	0.998	100.	0.824
Ecu		39.21	7.480	6.573	1.906	0.788	1995	2.134	8.301	195.7	160.2	9.147	1.614	0.776	1.687	1.211	121.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6344	0.6350	-0.0013	0.6351	0.6344	8,100	43,740
Mar	0.6365	0.6361	-0.0013	0.6365	0.6350	14,007	70,395
Jun	0.6385	0.6388	-0.0013	0.6388	0.6385	95	1,693

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9970	0.9973	-0.0009	0.9973	0.9965	6,158	29,846
Mar	1.0065	1.0064	-0.0010	1.0065	1.0052	11,190	70,200
Jun	1.0185	1.0182	-0.0018	1.0185	1.0182	201	2,286

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7486	0.7494	-0.0022	0.7494	0.7486	3,028	28,350
Mar	0.7538	0.7526	-0.0024	0.7538	0.7510	7,822	37,499
Jun	0.7568	0.7575	-0.0034	0.7575	0.7567	23	476

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5580	1.5592	-0.0016	1.5600	1.5580	3,245	25,260
Mar	1.5592	1.5600	-0.0006	1.5602	1.5586	11,911	49,042
Jun	1.5604	1.5604	+0.0002	1.5604	1.5604	6	177

UK INTEREST RATES

LONDON MONEY RATES

Dec 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5½	5¾ - 5⅞	6 - 5⅞	6⅜ - 6¼	7 - 6⅞	7⅜ - 7⅝
Sterling CDs	-	-	6 - 5⅞	6⅞ - 6⅛	6⅞ - 6¾	7⅝ - 7½
Treasury Bills	-	-	5⅞ - 5⅞	6⅛ - 6	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅞ - 6⅞	6¾ - 6⅝	-
Local authority deps.	6⅛ - 5⅞	5⅞ - 5¾	6⅛ - 6	6⅞ - 6⅞	7 - 6⅞	7⅞ - 7⅞
Discount Market deps	6½ - 4¼	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3⅞	3⅞	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 5.8351pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1994, Schemes II & III 7.39pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.58	93.58	+0.02	93.60	93.56	8100	86905
Mar	92.62	92.61	+0.01	92.62	92.58	7088	94349
Jun	91.96	91.94	-0.02	91.97	91.92	2508	63626
Sep	91.52	91.50	-0.01	91.52	91.45	1927	61382

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.09	0.01	0.03	0.01	0.90	1.59
9375	0	0	0.01	0.17	1.14	1.82
9400	0	0	0	0.42	1.39	2.06

Est. vol. total, Calls 592 Puts 914. Previous day's open int., Calls 336906 Puts 238826

EMS EUROPEAN CURRENCY UNIT RATES

Dec 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13644	-0.00145	-2.65	6.96	-
Ireland	0.808628	0.789345	-0.001598	-2.38	6.66	18
Belgium	40.2123	39.2843	-0.0107	-2.31	6.58	17
Germany	1.94964	1.91042	-0.00066	-2.01	6.26	-
France	6.53883	6.58708	-0.00193	0.74	3.36	-6
Denmark	7.43679	7.49441	+0.00156	0.77	3.32	-5
Portugal	192.854	196.121	-0.144	1.69	2.38	-11
Spain	154.250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON ERM MEMBERS						
Greece	264.513	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1793.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK	0.786749	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. [illegible]
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
1.500	5.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.525	3.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.550	1.67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.575	0.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.600	0.07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.625	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls 20,396 Puts [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.67	93.63	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	92.78	92.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	92.17	92.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.41	93.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	-	92.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	92.50	92.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	●Smith & Williman Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	[illegible]	[illegible]
Bank of Baroda	6.25	Girobank	6.25	[illegible]	[illegible]
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● Members of London Investment Banking Association
* In administration

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Rate for trading on 20.12.94 Pool purchase price £/MWh	Final Prices for Trading on 22.11.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.06	9.21	9.21
0100	29.00	9.23	9.23
[illegible]	[illegible]	[illegible]	[illegible]

REPEAT CALL FOR TENDERS FOR THE PURCHASE OF A GROUP OF ASSETS OF "METALLURGIKI HALYPS SA", OF ATHENS, GREECE

ETHNIKI Kephalon SA, Administration of Assets and Liabilities, of 1 Skouloulou Str., Athens, Greece, in its capacity as Liquidator of METALLURGIKI HALYPS S.A., a company with its registered office in Athens, Greece, (the Company), presently under special liquidation according to the provisions of article 46a of Law 1892/1990, by virtue of Decision No. 4345/1994 of the Athens Court of Appeal

announces a repeat call for tenders

for the purchase of the assets mentioned below, which are being sold as a single entity.

BRIEF INFORMATION

The Company was established in 1972 and was in operation until 1991, when is was declared bankrupt. Its activities included the production of concrete reinforcing iron in rolls and bars. On 10.8.94, the Company was placed under special liquidation according to the provisions of article 46a Law 1892/1990.

ASSETS OFFERED FOR SALE

a. A storage building of 1500m2 and the 1/2 pro-indiviso of other 2 storage buildings of 1,965 m2 and 1,000 m2, respectively, which are "separate vertical pro-indiviso properties" standing on a plot of land of 7,980 m2 located in the Local Authority of N.Menemeni, Thessaloniki.

b. Agricultural plot of land amounting to 12,875 m2 at Simandra of Local Authorities of N. Moudania, Chalkidiki.

c Agricultural plot of land amounting to 4,312 m2 in the same area as plot (b).

The above assets were mentioned in the publication of the 1st call for tenders under the heading "Other Assets".

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain the Offering Memorandum upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/91 and modified later), the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespectively of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. Binding Offers: interested parties are hereby invited to submit binding offers not later than 17th of January 1995, 12.00 hours to the Athens Notary Public Mr Evangelos Dracopoulos, at 19, Vourkourestiou Str. 106 71 Athens, tel: +30-1-361.57.32, fax: +30-1-362.11.11.
Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate if any). In the event if not specifying a) the way of payment, b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate, then it shall be the legal rate in force. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon submission and that the offerer shall give a personal guarantee in favour of such third party.

3. Letters of Guarantee: Binding offers must be accompanied by a Letter of Guarantee, issued in accordance with the draft Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be for the amount of Drs. THIRTY MILLION (30.000.000.-). The Letters of Guarantee shall be returned after the adjudication. In the event of non- compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letter of Guarantee shall be forfeited as a penalty.

4. Submissions: Binding offers together with the Letter of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.

5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 17th January 1995 at 14.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6 As highest bidder shall be considered the participant, whose offer will be judged by creditors representing over 51% of the claims against the Company (the "Creditors"), upon suggestion of the Liquidator, to be in the best interests of all the Creditors of the Company. It is noted that for the purposes of evaluating an offer proposed to be paid by instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of an annual discount interest rate of 22%, compounded yearly.

7. The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. All costs and expenses of any nature in respect of the participation and the transfer of assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.

9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.

10. This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

In order to obtain the Offering Memorandum and any further information please apply to the Liquidator "Ethniki Kephalaiou SA, Administration of Assets and Liabilities", 1, Skouloudou Str. Athens 10561, Greece, Tel: +30-1-323.14.84-87, fax.: +30-1-321.97.86 (attention Mrs. Marika Frangakis).-

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WORLD STOCK MARKETS

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BELGIUM/LUXEMBOURG (Dec 19 / Frs.)

DENMARK (Dec 19 / Kr)

FINLAND (Dec 19 / Mkk)

FRANCE (Dec 19 / Frs.)

GERMANY (Dec 19 / Dm.)

ITALY (Dec 19 / Lire)

NETHERLANDS (Dec 19 / Fls.)

NORWAY (Dec 19 / Kroner)

SPAIN (Dec 19 / Pts.)

SWEDEN (Dec 19 / Kronor)

SWITZERLAND (Dec 19 / Frs.)

PACIFIC

JAPAN (Dec 19 / Yen)

AUSTRALIA (Dec 19 / Aust$)

HONG KONG (Dec 19 / H.K.$)

MALAYSIA (Dec 19 / MYR)

SINGAPORE (Dec 19 / S$)

NORTH AMERICA

CANADA

TORONTO (Dec 19 / Can $) 4 pm close

MONTREAL (Dec 19 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Dec 19 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ∂ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, December 19, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsui	4.1m	829	-4	Sumitomo Metal	3.2m	315	+1
Nippon Steel	4.0m	359	+4	Konica	3.0m	796	-4
Mitsub. Heavy	3.8m	728		NKK	2.9m	269	+2
Kawa Steel	3.5m	396	-4	Canon	2.5m	1730	+20
Sakai Ovex	3.3m	863	+25	Sankyu	2.3m	459	+15

INDICES

	Dec 19	Dec 16	Dec 15	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	17780.48	17593.4	25470.40	18/2	16792.81	28/11
Australia							
All Ordinaries(1/1/80)	1900.0	1897.0	1885.0	2340.60	3/2	1842.60	12/12
All Mining(1/1/80)	912.4	907.0	901.5	1136.10	3/2	878.10	12/12
Austria							
Credit Aktien(30/12/84)	389.53	387.16	387.32	480.66	2/2	376.94	25/10
Traded Index(2/1/91)	1035.35	1027.22	1027.23	1222.25	1/2	1011.36	6/6
Belgium							
BEL20 (1/1/91)	1393.75	1394.44	1393.83	1542.65	9/2	1338.39	7/10
Brazil							
Bovespa (29/12/83)	(u)	49177.0	48427.0	55118.00	13/9	3808.89	3/1
Canada							
Metals Minls♦(1975)	(u)	4092.35	4014.54	4278.82	20/10	3259.08	20/4
Composite♦ (1975)	(u)	4118.00	4111.70	4809.90	23/3	3858.50	24/6
Portfolio§§ (4/1/83)	(u)	2011.22	2006.36	2282.99	1/2	1869.48	28/6
Chile							
IPGA Gen (31/12/80)	(u)	5528.7	5542.7	5754.40	21/11	3881.20	4/4
Denmark							
CopenhagenSE(3/1/83)	336.66	336.92	338.15	415.79	2/2	335.75	13/12
Finland							
HEX General(28/12/90)	1815.5	1806.8	1818.6	1972.00	4/2	1601.16	3/1
France							
SBF 250 (31/12/90)	1267.07	1266.23	1270.11	1585.20	2/2	1227.86	25/10
CAC 40(31/12/87)	1928.09	1924.16	1931.10	2355.93	2/2	1824.42	25/10
Germany							
FAZ Aktien(31/12/58)	778.40	774.16	768.88	858.27	18/5	742.94	5/10
Commerzbank(1/12/53)	2223.60	2210.7	2195.8	2465.50	2/5	2116.39	5/10
DAX (30/12/87)‡	2075.94	2070.06	2052.59	2271.11	18/5	1960.59	7/10
Greece							
Athens SE(31/12/80)	859.99	865.30	875.93	1194.58	18/1	894.37	22/11
Hong Kong							
Hang Seng(31/7/64)	8178.34	8166.39	8259.58	12201.09	4/1	7707.78	12/12
India							
BSE Sens.(1979)	3910.06	3943.65	3903.88	4628.57	12/9	3464.09	5/1
Indonesia							
Jakarta Comp.(10/8/82)	459.39	458.78	469.93	612.80	5/1	447.04	13/12
Ireland							
ISEQ Overall(4/1/88)	1792.56	1785.75	1776.06	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	607.26	605.77	591.83	817.17	10/5	583.64	13/12
MIB General (4/1/94)	984.0	981.0	989.0	1318.00	10/5	942.00	13/12
Japan							
Nikkei 225 (16/5/49)	19270.85	19163.43	19121.12	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	278.97	279.04	279.06	311.71	13/6	268.22	4/1
Topix (4/1/68)	1514.31	1508.60	1508.79	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2044.84	2049.78	2057.22	2542.85	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	957.25	946.60	950.77	1314.46	5/1	885.77	12/12
Mexico							
IPC (Nov 1978)	(u)	2327.59	2378.66	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	439.0	438.8	436.0	454.90	31/1	408.30	21/6
CBS All Shr (End 83)	275.4	274.1	273.5	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	1927.39	1924.86	1906.22	2409.84	3/2	1878.09	12/12
Norway							
Oslo SE(Ind)(2/1/83)	1095.10	1093.28	1093.44	1211.10	28/2	960.91	21/6
Philippines							
Manila Comp (2/1/85)	2723.26	2708.89	2679.85	3368.37	4/1	2567.33	9/3
Portugal							
BTA (1977)	(u)	2935.8	2933.0	3226.80	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	528.45	528.72	527.54	641.61	4/1	506.84	13/12
South Africa							
JSE Gold (28/9/78)	1863.7▼	(c)	1833.2	2534.80	7/8	1748.09	14/2
JSE Indl. (28/9/78)	6857.5▼	(c)	6830.1	6894.16	22/11	5446.00	19/1
South Korea							
KoreaCompEx(4/1/80)**	1028.61	1036.76	1027.99	1138.75	8/11	855.37	2/4
Spain							
Madrid SE (30/12/85)	298.37	297.95	297.43	358.31	31/1	286.85	28/10
Sweden							
AffarsvarldsGen (1/2/37)	1464.2	1470.00	1471.60	1803.98	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1226.07	1228.73	1224.19	1428.34	31/1	1138.72	27/10
SBC General (1/4/87)	917.68	918.40	916.80	1093.29	31/1	876.57	27/10
Taiwan							
WeightedPr.(30/6/66)**	7055.30	6895.80	6823.13	7191.13	30/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1337.78	1336.47	1310.00	1789.73	4/1	1198.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	27742.4	27874.7	27825.4	28146.18	2/12	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	608.3*	608.9	608.1	648.98	2/11	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1332.17	1329.66	1328.74	1540.18	31/1	1288.48	5/10
Euro Top-100 (26/6/90)	1173.42	1170.57	1163.69	1311.91	2/2	1135.49	5/10
JCapelDrgns (31/12/88)	(u)	298.85	300.06	385.19	5/1	285.49	12/12
Barings Emrg.(7/1/92)	(u)	170.55	171.47	191.29	26/9	141.66	21/4

** Sat Dec 17: Taiwan Weighted Price 6937.33; Korea Comp Ex 1036.54. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 19 - 2088.59 -3.31.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1946.0	1938.0	+4.0	1958.0	1935.0	15,226	29,530
Jan	1955.0	1946.5	+4.0	1965.0	1945.0	1,299	5,152
Feb	1970.0	1956.5	+4.0	1970.0	1957.0	-	508

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 16	Dec 15	Dec 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3807.19	3765.47	3746.29	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.39	94.46	94.43	105.61 (21/1)	93.61 (28/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1416.14	1412.41	1394.02	1862.29 (2/2)	1371.89 (13/12)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.24	181.32	182.44	227.86 (3/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3817.95 (3784.07) Low 3758.07 (3729.13) (Theoretical♦)
Day's high 3807.52 (3775.60) Low 3765.47 (3743.60) (Actual♦)

Standard and Poors	Dec 16	Dec 15	Dec 14	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	458.80	455.34	454.97	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	544.59	540.03	538.65	583.18 (28/10)	510.05 (21/4)	583.19 (28/10/94)	3.62 (21/6/32)
Financial	41.85	41.78	41.78	48.94 (14/6)	39.87 (22/11)	48.49 (26/8/93)	8.64 (1/10/74)
NYSE Comp.	250.54	248.96	248.33	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	426.25	426.02	423.07	487.89 (2/2)	428.23 (13/12)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	729.07	730.88	725.67	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 16	Dec 9	Dec 2	Year ago
Dow Jones Ind. Div. Yield	2.80	2.88	2.84	2.67
	Dec 14	Dec 7	Nov 30	Year ago
S & P Ind. Div. yield	2.47	2.48	2.46	2.45
S & P Ind. P/E ratio	18.40	18.29	18.42	27.16

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	461.55	460.65	-1.15	461.65	460.60	58,712	203,595
Jun	-	465.00	-	-	465.00	51	6,838
Sep	-	470.00	-	-	470.00	73	2,151

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	9,358,800	22¼	+⅛
Gen Elec	7,895,700	50	+1
RJR Nabisco	6,528,900	5⅝	-⅛
AT&T	5,630,000	51½	+⅞
Hanson	5,509,800	17⅝	—
Coca Cola	5,248,800	51⅝	+⅝
Merck	5,189,200	38¼	+⅜
Exxon	4,533,900	61¼	+1⅛
Ford Motor	4,341,900	28⅝	+⅛
Telefonos	4,282,200	50	-⅞

■ TRADING ACTIVITY

● Volume (million)

	Dec 16	Dec 15	Dec 14
New York SE	478,701	332,780	354,983
Amex	21,715	16,300	16,052
NASDAQ	294,458	322,575	304,585
NYSE			
Issues Traded	2,918	2,937	2,954
Rises	1,338	1,508	1,551
Falls	943	798	751
Unchanged	637	631	652
New Highs	24	19	21
New Lows	83	100	132

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

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4 pm close December 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17⅜	11⅞	AAR	0.48	3.8	22	247	12¾	12½	12⅝	-⅛
18⅛	12⅝	A L Labs A	0.18	1.0	41	412	u18⅛	17⅝	18⅛	+½
79⅜	57⅝	AMP	1.68	2.3	22	750	72½	71¾	72⅛	-⅝
72¾	49⅛	AMR			109	1519	51⅝	50¾	51¼	+⅜
6	3⅞	ARX			12	95	3⅞	3¾	3¾	
56⅛	36⅞	ASA	2.00	4.5	29	292	44⅛	44	44	-¼
33	25⅞	AbbotL	0.76	2.3	17	5121	32⅞	32	32⅝	
15¼	11⅜	AbitibiPr	0.50	3.7	12	84	13⅞	13⅝	13⅝	-⅛
23⅞	17¾	ABM Ind	0.52	2.2	14	131	23½	23¼	23¼	-⅛
18	11⅛	Acceptance			10	139	14	13¾	13¾	-⅛
31	20¾	ACE Ltd	0.44	2.1	20	648	21¾	20⅞	21⅛	-½
12½	8	ACM Gvt In x	1.09	11.4	8	468	9⅝	9½	9⅝	
10⅛	6⅞	ACM GvOpp x	0.80	11.0		77	7⅜	7¼	7¼	
10⅝	6¾	ACM Gvt Sp x	0.96	12.8		450	7⅝	7½	7½	
12	7⅝	ACM Gvt Sd x	1.09	12.7		387	8¾	8⅝	8⅝	-⅛
11¾	7⅞	ACM Man x	1.08	12.7		182	8½	8⅜	8½	
9¼	8	ACM Mangd x	0.72	8.6		112	8½	8⅜	8⅜	
15½	8¾	AcmeCle	0.44	4.1	21	12	10¾	10⅝	10¾	+⅛
13⅞	6½	Acme Elect			13	41	13⅛	13	13⅛	+⅛
31⅞	23	Acordia	0.60	1.9	15	5	31⅛	31⅛	31⅛	+⅛
13¾	5¼	Acteva	0.36	3.7	2	108	9⅞	9⅝	9¾	-⅛
18⅞	11¼	Acuson			28	391	16⅝	16	16	-⅝
18⅞	15½	Adams Expr	0.68	4.4	0	171	15⅝	d15½	15⅝	
64	49½	Ad Micro	3.00	5.9		170	51½	50½	50½	-½
31¾	16¾	AdvMic	3.00	13.3	7	8672	23⅛	22½	22½	-⅝
6⅞	5	Advest Grp	0.16	3.1	15	54	5⅜	5⅛	5⅛	-⅛
20	15	Advo Inc	0.10	0.6	15	275	16⅞	16	16¼	
64	49⅞	Aegon ADR	1.47	2.3	12	42	63½	63¼	63½	+¼
[illegible]										
28¾	21⅝	Baxter	1.05	3.8	44	3273	27½	27¼	27⅜	-⅛
28⅜	22½	Bay St Gas	1.46	6.2	12	46	23½	23¼	23⅜	
22½	18⅞	Bd Tr 1636	1.72	9.0		46	19¼	19	19⅛	+⅛
23½	14¾	Bear Strns	0.60	3.7	6	2845	16¼	16	16⅛	+⅛
50¾	43	BearStPfA	3.23	7.3		z100	44	44	44	+½
37½	27¾	Beartngs	0.72	2.1	18	169	33⅞	33⅝	33¾	-⅛
32½	23	Beckman In	0.40	1.4	23	123	28½	27⅞	27⅞	-¾
49⅞	34⅛	BectnD x	0.82	1.7	16	3327	49½	49⅛	49¼	
7¾	4⅞	BeldPr	0.38	6.6	10	51	5¾	5¾	5¾	-⅛
59⅝	48⅞	BellAtl	2.76	5.4	15	1792	51½	50⅝	50⅞	-⅝
22⅞	13¾	Bell In	0.40	2.0	13	34	20⅞	20½	20½	-¼

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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Continued on next page

صكرا من الاحل

4 pm close December 19

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
60¾	35	Salomon x	0.64	1.7	23	1806	37⅝	37⅛	37⅝	+⅜
25	17½	SaDgSE x	1.52	7.6	17	464	20⅛	19⅞	20	-⅛
19	7½	SantaFeEPe	0.16	2.0	9	1297	8¼	7¾	8⅛	-¼
17⅝	12¼	SFeSd			27	1848	13¾	13⅛	13⅛	
33¼	30½	SFePPipe	2.80	8.8	8	41	32¼	31⅞	32	+⅛
28¼	12⅛	SanfeP	0.10	0.6	14	6601	17½	17⅛	17⅞	+½
28	19⅝	SaraLee	0.68	2.7	54	5305	25⅜	25	25¼	-⅜
50⅛	41	Scana Corp x	2.82	6.6	12	97	42¾	42⅝	42⅝	-⅜
20½	12½	Scecrp	1.00	6.7	9	4844	15	14⅝	15	+⅛
46⅝	31¾	ScheringP			30	728	u45½	44	45	+1
75⅞	54½	SchrPl	2.04	2.7	15	4130	74½	73⅛	74¼	+⅞
63	50	Schlmb x	1.20	2.3	25	3935	52⅞	51⅝	52¼	+1
37	23¾	Schwab(C)	0.28	0.8	16	941	34⅞	33⅝	34⅛	+⅛
10¾	6⅛	Schwitzer			7	72	7¾	7½	7¾	+¼
22¾	12½	SciAtl	0.06	0.3	38	4763	20¾	19¾	20¼	-⅜
18¾	13	Scotsman	0.10	0.6	12	51	17½	17⅛	17⅞	-⅛
69¾	37¼	ScottP	0.80	1.2	21	1870	69	68⅛	68⅛	-⅜
28⅝	18½	ScuddNAsF	0.21	1.0		26	21⅜	21	21⅛	
12⅝	8¾	ScuddNEuF	0.16	1.8		851	9⅛	9	9⅛	+⅛
18¾	12½	SeaCoB	0.70	5.7	7	74	12¾	d12¼	12⅜	-½
16½	14¼	SeaC1.4625	1.46	9.8		18	14⅞	14½	14⅞	+⅜
24⅞	23⅛	S'pate			8	4035	23⅞	22¼	23⅝	+⅛
32¾	26¼	Seagrm x	0.60	2.1	14	3494	29⅜	28⅞	29	-⅛

AMEX COMPOSITE PRICES

4 pm close December 19

NASDAQ NATIONAL MARKET

4 pm close December 19

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AMERICA

Profits taken after Dow's recent gains

Wall Street

US share prices retreated from Friday's gains yesterday morning as traders took profits accumulated last week, *writes Lisa Bransten in New York.*

By 1pm the Dow Jones Industrial Average was down 22.21 at 3,784.98. The more broadly based Standard & Poor's 500 lost 1.78 at 457.02, the American Stock Exchange composite fell 1.92 to 424.31 and the Nasdaq composite declined 1.18 to 727.89. Trading volume on the NYSE came to 156m shares.

Analysts attributed much of last week's strength to Friday's "triple-witching hour" when options and futures on stock indices expired together in the last 60 minutes of trading. With that out of the way and no important economic news due out yesterday, there was little to push up the market.

Investors were also acting cautiously in advance of today's meeting of the Federal Reserve's open market committee. Most analysts are betting that the Fed will not raise rates at the meeting, but opinion is not unanimous. Interest rate increases usually push the market down as investors worry that reduced consumption and borrowing will erode corporate earnings.

In recent weeks the market has moved up and down skittishly as investors first worried about another rate increase and then bought when those fears subsided briefly. A round of relatively mild economic news put out last week led many to speculate that the Fed would not raise rates again before January.

In individual share prices, Caesars World rocketed $20½ at $65¾ after ITT said that it would acquire the casino company for $67.50 per share or $1.7bn. Shares in ITT fell $¾ at $81½ on the news.

Shares in US Shoe rose $2¾ at $19¾ after the company reported late on Friday that it was negotiating to sell its footwear business to Nine West. Nine West gained $¼ at $26¾.

Ben & Jerry's shed $1¾ at $10 after the ice cream company announced it expected a fourth quarter loss of $700,000 to $900,000 and a decline in revenues from the same period last year. Revenues should be about $30m, the company said.

Canada

Toronto stocks were mixed at midday following the decline on Wall Street. The TSE-300 index gained 5.69 at 4,123.72 in volume of 34.9m shares valued at C$274.5m.

Declining issues outpaced advances by 310 to 290, with 353 stocks unchanged. The gold and precious metals sector was up 72.55 at 8,995.88.

Rogers Communication "B" shares were unchanged at C$19 after the country's cable television regulator approved a C$3.1bn takeover of Maclean Hunter.

Mexico

Equity prices were sharply lower in early trading as reports came through of fresh trouble in the southern state of Chiapas.

The IPC index fell 43.54 or 1.9 per cent to 2,284.05.

The Zapatista rebels said that they had turned down an offer from the government of a multi-party commission to negotiate peace.

Volume was low at 3.9m shares worth 39.95m pesos. Losers exceeded gainers by 43 to one, with seven issues unchanged.

Among the losers, Telmex "L" was off 1.85 per cent.

S African golds strengthen

The market extended morning gains, with gold stocks particularly strong.

The overall index improved 29.5 to 5,696.9, industrials 27.4 to 6,857.5 and golds 30.5 to 1,863.7.

Among golds, Vaal Reefs went against the trend to close R2 off at R341, Southvaal gained R4 at R112 and Dries was up R1.50 at R56.50.

Elsewhere, Anglos fell R1 to R226, De Beers put on 75 cents at R93.25 and SAB climbed R3 to R96.50. Remgro was up 50 cents at R28.25 and Anglovaal R2 stronger at R137.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.14	+0.57	-9.33	-13.52	-9.78	-4.68
Belgium	+0.13	+0.94	-5.81	-8.70	-3.24	+2.22
Denmark	-0.78	-3.42	-6.91	-12.62	-8.79	-3.64
Finland	-1.24	-6.13	+24.50	+19.76	+34.97	+42.58
France	-0.93	-0.66	-10.33	-14.65	-11.90	-6.93
Germany	+1.82	-1.51	-5.71	-10.40	-6.28	-0.98
Ireland	+0.42	-2.34	-0.44	-2.56	+0.66	+6.34
Italy	+1.62	-6.68	+0.92	-1.38	-2.31	+3.19
Netherlands	+1.13	+0.31	-0.27	-4.07	+0.30	+5.95
Norway	+0.29	+3.72	+9.21	+2.66	+6.62	+12.63
Spain	-1.20	-0.71	-4.91	-8.68	-6.36	-1.08
Sweden	+0.63	-3.01	+9.12	+5.07	+9.99	+16.19
Switzerland	+0.85	-0.12	-6.89	-10.11	-4.88	+0.49
UK	+1.18	-3.85	-8.72	-11.69	-11.69	-6.71
EUROPE	+0.75	-2.30	-6.19	-9.77	-7.53	-2.31
Australia	+2.42	+0.38	-5.64	-10.32	-3.00	-2.80
Hong Kong	+5.62	-13.96	-22.64	-33.05	-36.71	-33.14
Japan	+0.33	-0.51	+2.39	+4.72	+10.46	+16.70
Malaysia	+3.51	-10.79	-14.83	-25.31	-25.72	-21.53
New Zealand	+1.80	-7.16	-3.27	-7.74	-0.22	+5.40
Singapore	+4.77	-7.66	-3.39	-9.80	-6.24	-0.95
Canada	+1.81	+0.19	+0.66	-1.47	-11.02	-6.00
USA	+2.63	-0.53	-0.46	-1.15	-6.43	-1.15
Mexico	-5.45	-3.86	-4.25	-11.31	-24.68	-20.43
South Africa	-0.61	-5.24	+21.49	+15.03	+15.76	+22.29
WORLD INDEX	+1.43	-1.51	-1.85	-3.30	-3.34	+2.12

† Based on December 16, 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited

EUROPE

Rise in carmakers enlivens Frankfurt bourse

Last Friday's surge in the Dow lifted bourses in the morning, but its subsidence yesterday left them subdued, *writes Our Markets Staff.*

FRANKFURT's Dax index came back from an intraday high of 2,092.17 to close just 5.88 up at 2,075.94. In the post bourse, it eased further to an Ibis-indicated 2,066.59.

Turnover fell from DM8.6bn, inflated by Frankfurt's own triple-witching process, to DM5.2bn. Carmakers were the prime feature of the day, BMW, Daimler and Volkswagen rising DM12 to DM760, DM10.50 to DM757.50 and DM4.90 to DM427.90 respectively on the session, and the first two retaining about half of their gains after hours.

At James Capel, Mr Bob Barber noted that the sector, the best performer in Europe until the end of October, had underperformed both in November and in this month to date. It was too late, he added, for share prices to be responding to last week's sharp upturn in November's European car registrations; and BMW's supply deal with Rolls Royce was better for prestige than it was for profits of any scale. It looked, he concluded, as if a trader-oriented market was simply indulging in a little more sector rotation.

AMSTERDAM, too, retreated from early gains, the AEX index adding 2.47 to 410.85 after an earlier high of 412.88.

Paribas remarked in its latest perspective that it was shifting its stance toward a more defensive investment strategy and away from cyclicals. However, brokers noted some interest in the cyclical sector yesterday with Hoogovens adding Fl 1.60 to Fl 74.40 and DSM up Fl 1.10 to Fl 135.20.

Fokker, which suffered heavy selling last week after it warned of heavier than expected losses in 1994, recovered 80 cents to Fl 12.00, after a high of Fl 12.40.

MILAN saw the battered lira, near an all time low against the D-Mark, provoke bargain hunting, particularly among foreign investors. The Comit index rose 1.49 to 607.26, largely ignoring political developments which suggested that the government of Mr Silvio Berlusconi, the prime minister, was limping towards a parliamentary vote of no confidence, later in the week.

Blue chips led the gains with Fiat, which has been attracting positive comment from analysts, L88 higher at L5,795.

FT-SE Actuaries Share Indices

Dec 19	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1337.24	1336.79	1338.33	1338.57	1335.83	1334.02	1332.48	1332.17
FT-SE Eurotrack 200	1390.65	1389.84	1390.02	1388.98	1389.34	1387.07	1385.53	1386.91
	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12			
FT-SE Eurotrack 100	1329.65	1328.74	1316.62	1309.30	1309.12			
FT-SE Eurotrack 200	1378.77	1372.89	1365.54	1356.86	1355.35			

Base 1000 (26/10/90) Highday: 100 - 1337.42; 200 - 1390.78 Lowday: 100 - 1330.46 200 - 1384.93 † Partial

Montedison rose L14 to L1,141 but Ferruzzi dipped L27 to L1,140 as it was penalised for writing off credits from its former holding company, Serafino Ferruzzi, which could result in extra losses of L250bn in the 1994 accounts.

Credito Romagnolo picked up L32 to L18,916 as hopes appeared to fade that Credito Italiano would launch a counterbid to Cariplo's L21,500 a share offer, regarded as high by many analysts. Credito Italiano was L54 higher at L1,650.

PARIS offered a minimal advance with the CAC-40 index 3.93 higher at 1,928.09. Turnover was low at around FFr2.5bn.

Générale des Eaux, which went against the trend with a fall of FFr5 to FFr509, after an early high of FFr524, was upgraded to market performer by Goldman Sachs. The US investment bank said that it had based its re-rating on the group's potential for restructuring and refocusing under new management. In addition the stock had underperformed the CAC by some 16 per cent since the start of the year.

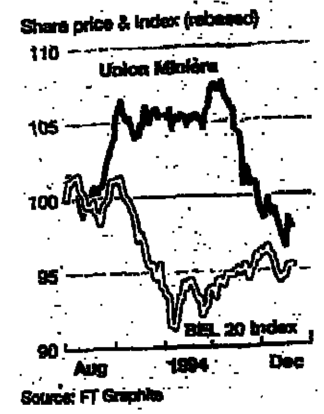
ZURICH lost a fraction, the SMI index receding 4.0 to 2,600.7as the market waited for today's FOMC meeting in the US.

US selling left Swiss Re SFr21 lower at SFr766 as investors decided that there was limited potential from further gains after the recent strong performance.

UBS bearers fell SFr23 to SFr1,062, with the bank seen as a seller in its own shares.

Second-tier shares saw Ascom SFr20 higher SFr1,300 as it benefited from the naming of a new chief executive.

Georg Fischer rose SFr70 to SFr1,600 after the engineering group reiterated that it still expected 1994 group net profit to exceed SFr50m.



Source: FT Graphite

BRUSSELS fell back slightly overall, while Union Minière continued to attract interest. The Bel-20 slipped 0.69 to 1,393.75 as the shares of the metals group lost BFr20 to BFr2,490.

Brokers commented that Union Minière had been heavily traded on technical factors after the expiry of a warrant last Thursday. There was news that a 1.1 per cent stake in the company had been sold by SGB, off BFr5 at BFr2,185.

MADRID's general index fell 1.58 to 296.37.

Telefónica was a sizeable loser, closing Pta35, or 2.1 per cent down at Pta1,610.

Dealers said that the market was unsettled by the appearance before a high court judge yesterday of Mr Mario Conde, the former chairman of Banesto, to testify in connection with alleged criminal acts that contributed to the banking group's crisis a year ago.

COPENHAGEN was little changed, the KFX index edging 0.04 higher to 91.58 as Danisco rose DKr3 or 1.5 per cent to DKr206 on sharply better than expected first half results.

TEL AVIV, following a 2.71 drop to 170.66 in the Mishtanim index on Sunday, speculated on possible changes in the upcoming capital gains tax on securities transaction profits, and took the index up 5.71, or 3 per cent to 175.87 at one point.

However, Mr Yitzhak Rabin, the Israeli prime minister, said in the afternoon that the tax was to be implemented as scheduled on January 1, and the Mishtanim dropped to close 1.13 lower at 169.53.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei 225 ends higher for fourth day in succession

Tokyo

The Nikkei 225 average gained ground for the fourth consecutive trading day. Friday's rise on Wall Street pushed up futures prices and prompted arbitrage buying, *writes Emiko Terazono in Tokyo.*

The index finished 107.42 firmer at 19,270.85 after moving between 19,160.03 and 19,336.17. Traders said last week's rise in US equities had relieved investors, who had been worried about an exodus of US funds from global stock markets.

While position taking by institutions and dealers eroded some of the morning's gains, late afternoon index-linked buying supported share prices.

Volume totalled 250m shares, against 230m. The Topix index of all first section stocks rose 5.71 to 1,514.31, while the Nikkei 300 put on 0.93 at 279.97. In spite of the gains in the indices, declines outnumbered advances by 649 to 314, with 206 issues unchanged. In London the ISE/Nikkei 50 index edged up 0.01 to 1,264.67.

Although the Nikkei 225 had bottomed out from last month's nine-month low, some analysts believed that the stock market might face turmoil before the end of the business year in March. "Given modest economic prospects, an aggressive monetary tightening could dampen expectations of economic growth with negative implications for equities," wrote Mr Keith Donaldson, a strategist at Salomon Brothers, in a recent report.

Trading companies, steels and shipbuilders were actively dealt. Trading house Mitsui was the most active issue of the day, slipping Y4 to Y829. Nippon Steel moved forward Y4 to Y359 and Mitsubishi Heavy Industries finished unchanged at Y728.

Sakai Ovex, a synthetic fabrics maker, continued to rise on speculative buying, closing Y25 higher at Y663.

Department stores gained ground amid hopes of an increase in sales during the current winter gift giving season. Mitsukoshi, a leading retailer with links to Harrods, moved ahead Y22 to Y1,020 and Tokyu Department Store climbed Y26 to Y696.

Konica, the photo film maker, lost Y4 at Y796. It rose to a new high for the year earlier in the day on technical buying, but profit-taking finally depressed the stock after a four-day rising streak.

In Osaka, the OSE average rose 96.60 to 20,926.94 in volume of 26.2m shares.

Nintendo, the video game maker, dropped Y70 to Y5,430. Individual investors were apprehensive over a possible loss of market share, due to the recent introduction of new electronic game hardware by Sony and Sega.

Roundup

Wall Street's performance last Friday lifted a number of the region's markets.

TAIPEI closed sharply higher following Saturday's gains as institutions increased positions on fundamentally strong industrials.

The weighted index strengthened 117.97 or 1.7 per cent to 7,055.30. Turnover amounted to T$118bn.

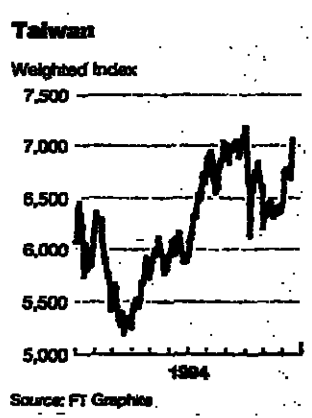
China Steel, the most active issue, rose by its daily 7 per cent limit to T$29.20. Textiles extended recent rises with Hualon jumping T$1.90 or 5.7 per cent to T$35.90.

The heavily weighted financial sector also rose to support the market: ICBC surged T$6 or 5.9 per cent to T$110 and First Commercial Bank was up T$3 to T$197. Some brokers attributed the rise in financials, many of which have close government connections, to the ruling Nationalist party's victory in recent local government elections.

SEOUL was lower for the fifth consecutive session on persistent worries about tight liquidity, and the composite index shed 7.93 to 1,028.61 in thin trade. Heavy selling of primary blue chips and institutional inactivity put further pressure on the market.

Samsung Electronics and Korea Mobile Telecom went limit down, losing Won3,000 and Won10,000 at Won114,900 and Won469,000 respectively. Posco also hit its lower limit, falling Won2,000 to Won66,500.

Taiwan



Source: FT Graphite

SYDNEY saw light bargain hunting by local investors as the All Ordinaries index gained 3.0 at 1,900.0, off an intraday high of 1,912.9. The futures contract dipped 14 to 1,896.

Turnover was A$573m, boosted by options-related trading.

Among leading stocks, BHP edged ahead 4 cents to A$19.18. Mining issues were generally firmer on bargain hunting after recent sharp falls: WMC appreciated 19 cents to A$7.39, MIM 7 cents to A$2.19 and RGC 5 cents to A$4.65.

HONG KONG finished mildly firmer after retreating from its highs on active profit-taking in the afternoon. The Hang Seng index was finally up 11.95 at 8,178.34, after an early high of 8,326.78 on the back of Friday's rally on Wall Street.

Today's US FOMC meeting on interest rates also kept buyers on the sidelines, brokers said.

Property issues fell the most, with Cheung Kong losing 20 cents at HK$31.70 and Amoy Properties 15 cents at HK$7.20.

The China-controlled container leasing company Florens Group made its debut at a 55.5 cents or 19.3 per cent discount from its issue price, ending at HK$2.325 on its first day of trading.

BOMBAY fell prey to a threat by the opposition, right-wing Bharatiya Janata party to launch a campaign to oust ministers named in a sugar import and a securities scandal. The BSE 30-share index retreated 33.59 to 3,910.06.

SINGAPORE moved ahead on renewed demand for blue chip issues, mostly by local funds. The Straits Times Industrial index rose 15.47 to 2,185.19, but volume was thin at 61.7m shares.

Fraser & Neave added 30 cents at S$15.20 on slightly better than expected full-year figures. Asia Pacific Breweries, a joint venture between F & N and Heineken, rose 13.6 per cent in late-day trading as retail investors chased the stock for its one-for-one scrip issue. APB climbed S$2.10 to S$17.50 but in thin volume.

KUALA LUMPUR closed higher in response to Wall Street, but reluctance by investors to accumulate stocks kept volumes low.

The composite index firmed 10.65 to 957.25, helped by a 70-cent rise to M$17.30 in Telekom Malaysia.

MANILA finished off its intraday peak as investors took profits after the index leapt by 45 points in the first 30 minutes of trade.

The composite index closed 14.27 up at 2,723.36. Volume increased to 2.4bn shares worth 2.13bn pesos.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 16 1994								THURSDAY DECEMBER 15 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	171.00	-0.3	162.20	108.25	139.70	146.63	0.0	3.93	171.53	162.86	108.76	140.17	146.59	189.15	157.28	157.54
Austria (16)	176.32	0.4	167.25	111.62	144.05	144.03	0.4	1.13	175.58	166.71	111.33	143.48	143.40	196.89	167.46	178.91
Belgium (35)	166.26	0.6	157.71	105.25	135.83	132.39	0.5	4.17	165.23	156.88	104.77	135.02	131.76	177.04	159.64	159.64
Brazil (28)	178.96	1.6	169.76	113.29	146.20	279.18	1.4	0.74	176.24	167.33	111.75	144.01	275.41	-	-	-
Canada (103)	127.64	0.1	121.07	80.80	104.27	128.28	0.2	2.89	127.54	121.09	80.87	104.22	128.00	145.31	120.54	132.17
Denmark (33)	238.20	-0.7	225.95	150.80	194.60	199.62	-0.8	1.49	239.97	227.84	152.16	196.09	201.17	275.79	234.08	235.77
Finland (24)	175.66	-0.4	166.62	111.20	143.50	179.31	-0.7	0.78	176.37	167.45	111.83	144.12	180.51	201.41	118.04	118.04
France (102)	163.76	-0.2	155.34	103.67	133.79	139.10	-0.3	3.06	164.16	155.86	104.09	134.14	139.58	185.37	159.34	169.41
Germany (58)	138.86	0.7	131.72	87.91	113.44	113.44	0.7	1.63	137.89	130.92	87.43	112.67	112.67	150.40	128.37	135.44
Hong Kong (56)	327.14	-0.8	310.32	207.10	267.26	325.00	-0.8	3.81	329.65	312.99	209.02	269.38	327.48	506.56	305.99	423.60
Ireland (14)	196.96	0.7	186.83	124.69	160.91	180.46	0.6	3.54	195.60	185.71	124.03	159.84	179.34	216.60	177.56	182.62
Italy (59)	70.78	1.6	67.14	44.81	57.82	86.48	1.8	1.82	69.65	66.13	44.17	56.92	84.97	97.78	65.87	67.99
Japan (468)	151.86	0.2	144.04	96.13	124.06	96.13	0.0	0.80	151.60	143.94	96.12	123.88	96.12	170.10	127.19	135.35
Malaysia (97)	464.19	-0.2	440.31	293.86	379.23	458.43	-0.2	1.84	465.14	441.63	294.93	380.10	459.26	621.63	430.71	548.15
Mexico (18)	1899.84	-2.1	1802.10	1202.71	1552.07	7191.21	-2.0	1.42	1940.25	1842.16	1230.26	1585.49	7338.89	2647.08	1696.28	2211.70
Netherland (19)	210.96	0.3	200.11	133.55	172.35	169.32	0.2	3.41	210.34	199.71	133.37	171.89	168.94	223.30	191.28	194.46
New Zealand (14)	71.58	0.5	67.90	45.31	58.48	59.47	0.9	4.92	71.22	67.62	45.16	58.20	58.95	77.59	62.05	64.99
Norway (23)	202.33	0.3	191.92	128.09	165.29	188.26	0.3	1.76	201.65	191.45	127.86	164.78	187.71	211.74	171.05	171.05
Singapore (44)	364.05	0.4	345.33	230.47	297.42	245.81	0.3	1.74	362.46	344.14	229.83	296.19	245.03	401.38	294.69	346.80
South Africa (59)	326.70	0.8	309.90	206.82	266.90	268.13	0.0	2.29	324.13	307.75	205.52	264.87	268.13	342.00	205.55	244.87
Spain (36)	137.85	0.4	130.76	87.27	112.62	137.79	0.3	4.14	137.31	130.37	87.07	112.21	137.39	155.79	132.91	135.94
Sweden (36)	228.17	0.0	216.43	144.45	186.41	254.59	0.0	1.57	228.09	216.56	144.63	186.39	254.57	242.81	187.85	187.85
Switzerland (47)	160.93	0.0	152.65	101.88	131.47	132.53	0.1	1.84	160.87	152.74	102.00	131.45	132.33	176.56	149.91	157.31
Thailand (46)	154.02	2.4	146.10	97.51	125.83	150.14	2.4	2.45	150.37	142.77	95.35	122.88	146.59	-	-	-
United Kingdom (204)	191.29	1.4	181.45	121.10	156.28	181.45	1.3	4.25	188.63	179.09	119.60	154.14	179.09	214.96	181.11	199.64
USA (514)	187.73	0.7	178.07	118.85	153.37	187.73	0.7	2.94	186.38	176.96	118.18	152.31	186.38	196.04	178.95	186.56
Americas (863)	175.19	0.7	166.17	110.90	143.12	145.75	0.7	2.86	174.05	165.25	110.36	142.23	144.80	-	-	-
Europe (708)	165.65	0.7	157.13	104.89	135.32	148.94	0.7	3.15	164.47	156.16	104.29	134.40	147.96	178.58	160.59	164.96
Nordic (116)	217.34	-0.2	206.16	137.59	177.55	207.09	-0.2	1.43	217.74	206.73	138.06	177.93	207.62	233.91	181.44	181.44
Pacific Basin (793)	159.55	0.1	151.35	101.01	130.35	105.18	0.0	1.18	159.38	151.33	101.06	130.25	105.19	176.88	141.04	147.15
Euro-Pacific (1501)	162.01	0.4	153.68	102.56	132.35	122.46	0.3	2.03	161.42	153.25	102.35	131.90	122.12	175.14	153.52	154.41
North America (617)	184.01	0.7	174.54	116.49	150.32	183.65	0.7	2.93	182.73	173.50	115.87	149.32	182.37	192.73	175.67	185.08
Europe Ex. UK (504)	148.26	0.3	140.64	93.86	121.12	129.43	0.3	2.50	147.80	140.33	93.72	120.78	129.07	158.12	143.33	143.33
Pacific Ex. Japan (325)	235.96	-0.2	223.82	149.38	192.77	206.79	-0.1	3.22	236.47	224.52	149.94	193.24	207.04	298.21	224.17	259.85
World Ex. US (1709)	163.86	0.3	155.43	103.73	133.87	126.02	0.2	2.04	163.29	155.03	103.54	133.43	125.71	176.65	155.78	158.10
World Ex. UK (2010)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LIFFE is proud to announce the renewal of its Designated Market Maker Scheme for the Three Month ECU Futures contract.

The Designated Market Makers are:

HSBC Futures, a division of Midland Bank plc
(acting on behalf of Midland Global Markets, a division of Midland Bank plc)

Istituto Bancario San Paolo di Torino S.p.A.

Kredietbank N.V.

NatWest Futures Limited
(acting on behalf of NatWest Markets)

UBS Futures & Options Limited
(acting on behalf of Union Bank of Switzerland)

The Three Month ECU futures contract on LIFFE is supported by five Designated Market Makers who are committed to a maximum bid-offer spread of five ticks in all six delivery months of the contract.

Support like this is one of the reasons 2,500 contracts are traded on average every day.

To find out more call Angelo Proni or Marco Bianchi at LIFFE on 0171 379 2467/2762.

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